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Operations of National Banks

Real GNP rose approximately 7 percent during the first quarter of 1984. Most sectors of the economy continued to experience a good recovery. Unemployment figures were down and there was an increased demand for inventory in most sectors. The banking industry continued to lag behind the general recovery. Total dollar net income for the first quarter of 1984 rose slightly when compared to the first quarter of 1983; however, due to asset growth of 5 percent the return on assets is down in the first quarter of 1984 over the first quarter of 1983.

In mid-March, the prime rate, which had been steady at 11 percent since August of 1983, rose to 11½ percent. The lack of growth in earnings during the first quarter of 1984 when compared to the first quarter 1983 primarily resulted from the increased pressure on interest margins coupled with the need for increased provision expense to maintain the loan and lease loss reserve at an adequate level.

Banks continued to experience problems with agricultural borrowers, who were hard hit by droughts last year. Energy lenders are still trying to recover from problems stemming from the reduced demand for petroleum products. Large banks continued to deal with billions of dollars of foreign debt which have required either restructuring or renegotiation.

Net income was up 1.4 percent for the first quarter of 1984 over the first quarter of 1983 in the nation's 4,793 national banks. Those banks with assets in excess of $300 million experienced a 3.6 percent increase in net income. These 407 banks represented 73.5 percent of total earnings of all national banks. The remaining 4,386 banks suffered a 4.4 percent decline in earnings. Return on assets for banks under $10 million in assets was down 23 basis points to 1 percent for the first quarter of 1984 over first quarter 1983. Banks with assets between $10 million and $300 million were down 21 basis points to .98 percent for the same period. Banks with over $300 million in assets did not suffer as sharp a decline in return on assets. Banks with assets between $300 million and $1 billion were only down two basis points to .94 percent and banks over $1 billion in assets were down just one basis point to .77 percent. All national banks were down 12 basis points to .72 percent.

The decline in the ratio of net interest income to average assets continues to affect all banks. All national banks experienced a 20 basis points decline to 4.72 percent when compared to first quarter 1983. National banks with assets less than $10 million dropped 14 basis points from first quarter 1983 to 5.19 percent. Those between $10 million and $300 million in assets declined 27 basis points to 4.70 percent. In larger banks, those with assets between $300 million and $1 billion were down 20 basis points to 4.35 percent and those with assets in excess of $1 billion were down 18 basis points to 3.90 percent.

Non-interest income in national banks continued to rise and, at $4 billion for the first quarter of 1984, was up 26 percent from the first quarter of 1983. This increase has helped offset pressure on bank earnings and is primarily the result of the repricing of services offered by banks. Total non-interest expenses in national banks, including salaries, occupancy costs and other overhead charges, increased by $1.2 billion during the first quarter of 1984 when compared to the first quarter of 1983. This represents a 12 percent increase.

Net loan and lease losses for the first quarter of 1984 were up 4.9 percent over the first quarter of 1983. National banks with assets of $1 billion or more were the most severely affected. Net loan and lease losses in this category rose to $925 million for the first quarter, a 14 percent increase over the first quarter of 1983.

The provision for loan and lease loss reserves rose 6 percent, to $1.3 billion, from the first quarter of 1983. The increase was evenly spread throughout all size categories of national banks, except for those with less than $10 million in assets. For national banks with assets of less than $10 million the reserve rose 109 percent when compared to the first quarter of 1983 and 18 basis points to .61 percent when comparing the provision expense to average assets. The provision for loan losses at all national banks was up 10 basis points to .43 percent over the first quarter of 1983. The allowance for possible loan and lease losses to total loans and leases in national banks grew to 1.20 percent at the end of the first quarter of 1984, which is an increase of four basis points over first quarter 1983.

Cash dividends as a percent of net income declined sharply in national banks with assets of less than $300 million. National banks with assets of less than $300 million reduced their cash dividends by 73 percent during the first quarter 1984 compared to the first quarter of 1983. As a percent of net income cash

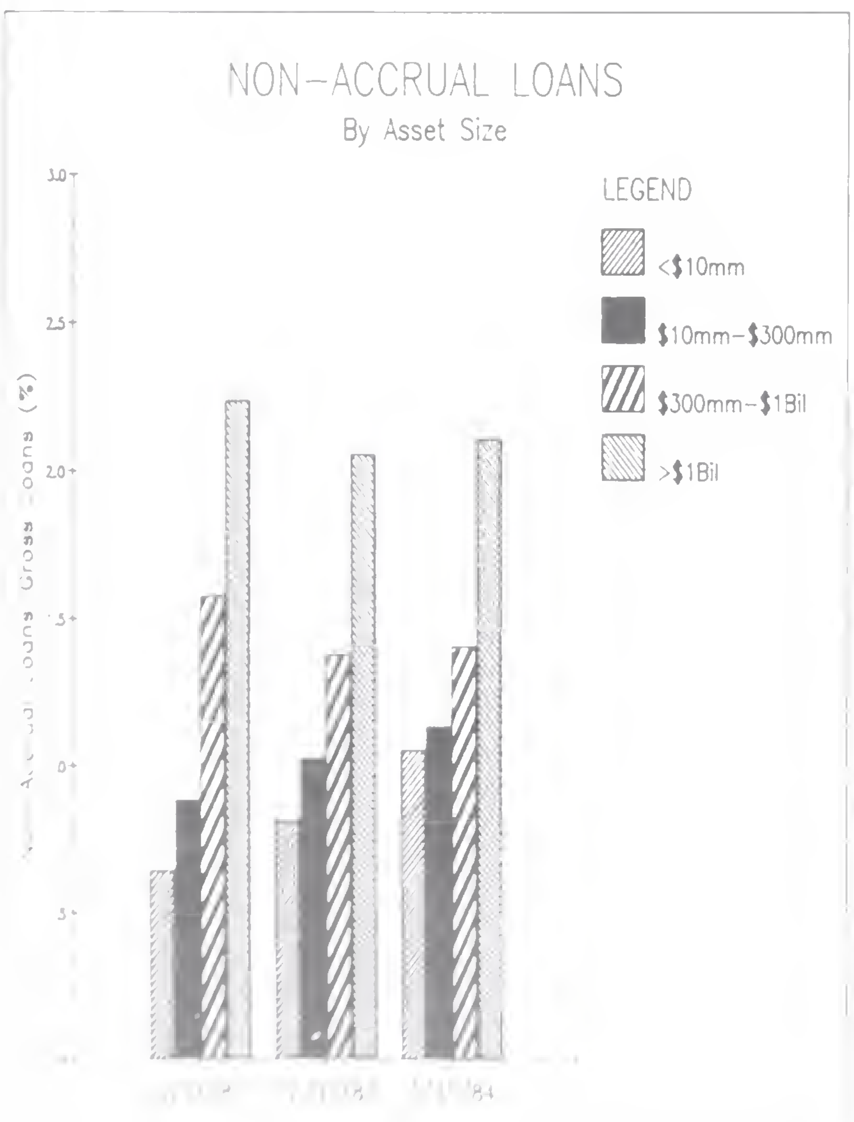
[illegible] dividends declined from a [illegible] percent payout ratio for the first quarter of 1983 to a [illegible] percent payout ratio for the quarter. Dividends paid in banks with assets of more than $300 million declined only 5 percent over the first quarter of 1983. Overall cash dividends in all national banks decreased by $330 million or 29 percent from the first quarter of 1983. The payout ratio for all banks declined from 50 percent in the first quarter of 1983 to 35 percent in the first quarter of this year.

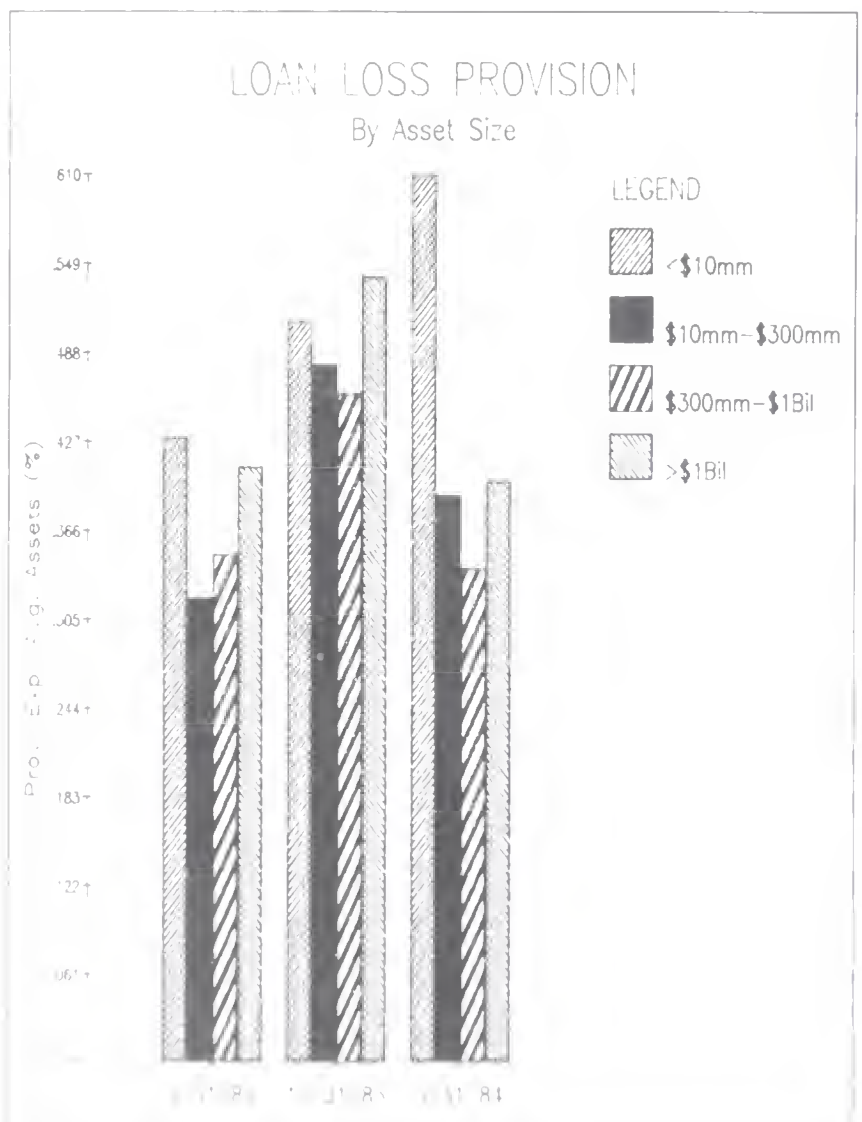
Loan and lease growth in the first quarter was up over 13 percent when compared to the first quarter of 1983. Banks increased their investment in securities by 3.5 percent in the quarter when compared to the first quarter of 1983. Approximately 66 percent of all securities held by national banks were U.S. government issues, compared to 62 percent 1 year ago.

Loans and leases past due 90 or more days, renegotiated, or on non-accrual status increased 5 basis points in the quarter to 2.43 percent when compared to first quarter of 1983. This increase affected all national banks except for those with assets between $300 million and $1 billion, which declined by 53 basis points to 2.34 percent when compared to the first quarter of 1983. The largest increase occurred in banks with $1 billion or more in assets. The figure rose 224 basis points to 8.42 percent for the first quarter of 1984.

The problems that farmers have been experiencing are reflected in the increase in past due agricultural loans. In all national banks total past due agricultural loans as a percent of gross agricultural loans rose to 5.96 percent for the first quarter of 1984, a 142 percent increase over the past due figure reported for the first quarter of 1983. Past due agricultural loans were down in banks with assets of more than $300 million in assets but rose substantially in banks with assets between $10 million and $300 million and stood at 5.85 percent at the end of the first quarter of 1984, a 164 percent increase over the first quarter of 1983.

Non-accrual loans and leases as a percent of gross loans and leases in all national banks rose 17 basis points to 1.10 percent when compared to the first quarter of 1983. The increase was centered in banks under $300 million in assets. At national banks with assets of less than $10 million the figure rose 41 basis points to 1.06 percent for the first quarter of this year over the first quarter of 1983. Non-accrual loans and leases at banks with assets between $10 million and $300 million increased 25 basis points to 1.14 percent for the same time period. At banks with assets between $300 million and $1 billion the figure declined by 17 basis points to 1.41 percent and at national banks with more than $1 billion in assets it declined 13 basis points to 2.11 percent.





The ratio of primary capital to total assets declined by 14 basis points to 10.24 percent in all national banks in the first quarter of 1984 over the first quarter of 1983. In both the largest and the smallest banks (those with less than $10 million and those with more than $1 billion in assets) the percentage increased. It increased 19 basis points in small banks to 12.04 percent and three basis points to 6.61 percent in the largest banks. Banks between $10 million and $300 million lost 31 basis points to 8.97 percent and those national banks between $300 million and $1 billion declined by two basis points to 7.66 percent.

As of March 31, 1984, 641 national banks had financial, operating, or compliance weaknesses that necessitated special supervision. That represents a 6 percent increase over December 31, 1983, and a 42 percent increase from March 31, 1983.

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Foreign Banking Organizations in the United States: Current Status and Future Outlook

Foreign banks have moved rapidly over the past decade to become a significant factor in the American financial marketplace. Over 200 foreign banks from nearly 50 countries now offer a broad and innovative spectrum of financial services in the United States. Foreign banks today account for nearly 15 percent of U.S. banking assets, compared to less than 4 percent in 1973.

In many ways, the expansion of foreign banking in the U.S. has paralleled the tremendous growth in international trade and investment, the worldwide integration of financial markets, and the vast improvements that have occurred in banking technology and telecommunications. Other factors unique to the United States, such as its size, the growth potential of its domestic market as well as its political and economic stability, have also provided substantial incentives for foreign banks to enter the American market.

The financial environment in the United States, however, is changing rapidly. The relatively well-defined financial institutions and financial market structure shaped by regulatory boundaries are giving way to a more competitive and deregulated system populated by institutions of a more amorphous character. Although foreign banks will undoubtedly continue to be a primary competitive and innovative force in the United States, they too will be affected by deregulatory developments.

It is unlikely that foreign banks can maintain the phenomenal rate of growth demonstrated in the past decade. Most foreign banks now have an established U.S. presence. The International Banking Act of 1978 eliminated a number of comparative regulatory advantages they previously enjoyed. Moreover, the remaining advantages to foreign banks are being quickly eroded as restrictions on domestic bank and nonbank competitors are lifted. Finally, many foreign banks may find themselves less well positioned than their American counterparts to interpret and anticipate changes in the domestic market. To remain competitive, therefore, each foreign bank must reassess its current market strategy and adapt it to the changing American banking environment.

Dramatic Growth of Foreign Banking in the United States

Although foreign banks had established U.S. banking subsidiaries as early as 1864, significant foreign involvement in American banking is a relatively recent phenomenon. Since the mid-1970s, the number of foreign banks represented in the United States, the number of offices they operate, and the total assets of their U.S. operations have grown rapidly.

Other structural and operational changes have taken place as well. Most U.S. offices of foreign banks are now branches and subsidiaries rather than agencies. New operational forms such as Edge Act Corporations and International Banking Facilities are also gaining acceptance. In addition to expanding geographically, foreign banks have moved aggressively beyond their traditional role of servicing home country clients into other segments of the domestic market.

Over 230 Foreign Banks Have U.S. Banking Offices

The number of foreign banks operating U.S. offices has more than tripled over the past decade. At year-end 1973, 61 banks from 22 nations maintained banking offices in the United States. By December 1983, the number of foreign banks had grown to 230 and the number of nations to 53 (see Table 1). Virtually every industrial nation of the world is now represented in the United States, as are ten nations from Central and Latin America, nine from the Middle East, thirteen from the Far East, and one from Africa.

Foreign banks presently operate 548 banking offices—subsidiaries, branches, agencies, New York Investment Companies, Edge Act and Agreement Corporations*—in the United States, more than four times the number they did 10 years ago. In addition, there are over 300 registered representative offices of foreign banks in the United States through which business is referred to the foreign bank parent.

Foreign Banking Assets Are Now Ten Times Their 1973 Level

A look at the total assets held at foreign bank offices in the United States is even more indicative of the recent phenomenal growth of these banks. Total foreign bank assets increased from $32.3 billion at year-end 1973 to $331.9 billion at year-end 1983. Foreign banks' share of the entire U.S. banking market nearly quadrupled, from 3.8 percent to 14.7 percent of aggregate commercial banking assets, clearly signaling the

* See Appendix for expl[illegible]

Table 1
SUMMARY OF FOREIGN BANK PRESENCE IN THE UNITED STATES*

	Number of [illegible]			Number of U.S. Banking Offices						
Year	[illegible]	[illegible]	Subsidiaries	Branches	Agencies	NYIC	EA AC**	Total	Total Assets of Foreign Bank Offices ($ Billion)	Share of U.S. Banking Market†
1973	61	22	27	32	62	3	0	124	$ 32.3	3.8%
1974	70	24	30	57	75	3	0	165	46.1	4.9
1975	77	26	33	65	82	4	0	184	52.4	5.3
1976	86	27	36	70	90	5	1	202	61.3	5.8
1977	116	28	35	98	113	5	2	253	76.8	6.4
1978	135	31	43	116	138	6	2	305	109.1	8.0
1979	153	33	42	132	163	6	2	345	149.6	9.9
1980	154	34	44	151	178	6	10	389	200.8	11.9
1981	186	41	46	193	185	7	23	454	251.2	13.5
1982	210	47	48	230	190	7	31	506	300.7	14.4
1983	230	53	54	265	187	8	34	548	331.9	14.7

* Includes data on U.S. banks and banking offices majority-owned (50%) by foreign banks.
** Edge Act or Agreement Corporations or branches of an Edge Act Corporation.
† Includes domestically-chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement Corporations, and New York Investment Companies.

Source: Federal Reserve Board Statistics, OCC analysis.

arrival as a significant competitive force in this country.

Agencies Are No Longer the Predominant Banking Form

Agencies were the single most important form of operation 10 years ago, accounting for half of the total number of foreign banking offices and over 60 percent of total foreign banking assets in the U.S. The relative importance of agencies has steadily declined since that time, however, while that of branches and, more recently, subsidiaries has increased.

By mid-1977, branches had become the predominant form of operation in terms of assets controlled. Significant asset expansion in subsidiaries began in 1979. Today, branches control over half the assets of foreign banks in the United States, while subsidiaries control roughly 30 percent and agencies less than 20 percent (see Figure 1).

The decline in importance of agencies was largely the result of the establishment and rapid growth of the branches and subsidiaries of European banks in the 1970s. The major European banks, desirous of expanding their worldwide deposit-taking activities, were not restricted to the agency form by reciprocity statutes since their home countries offered reciprocal entry and operating treatment to U.S. banks. Parallel to this expansion by European banks was a relative slowdown in the growth of Canadian banks, whose offices were limited to the agency form in some states [illegible] The growth of branches and subsidiaries also reflected a shift toward these forms by Japanese banks both to expand their retail activities and establish a presence in the United States before the anticipated enactment of more restrictive provisions. This occurred in 1978 with the passage of the International Banking Act.

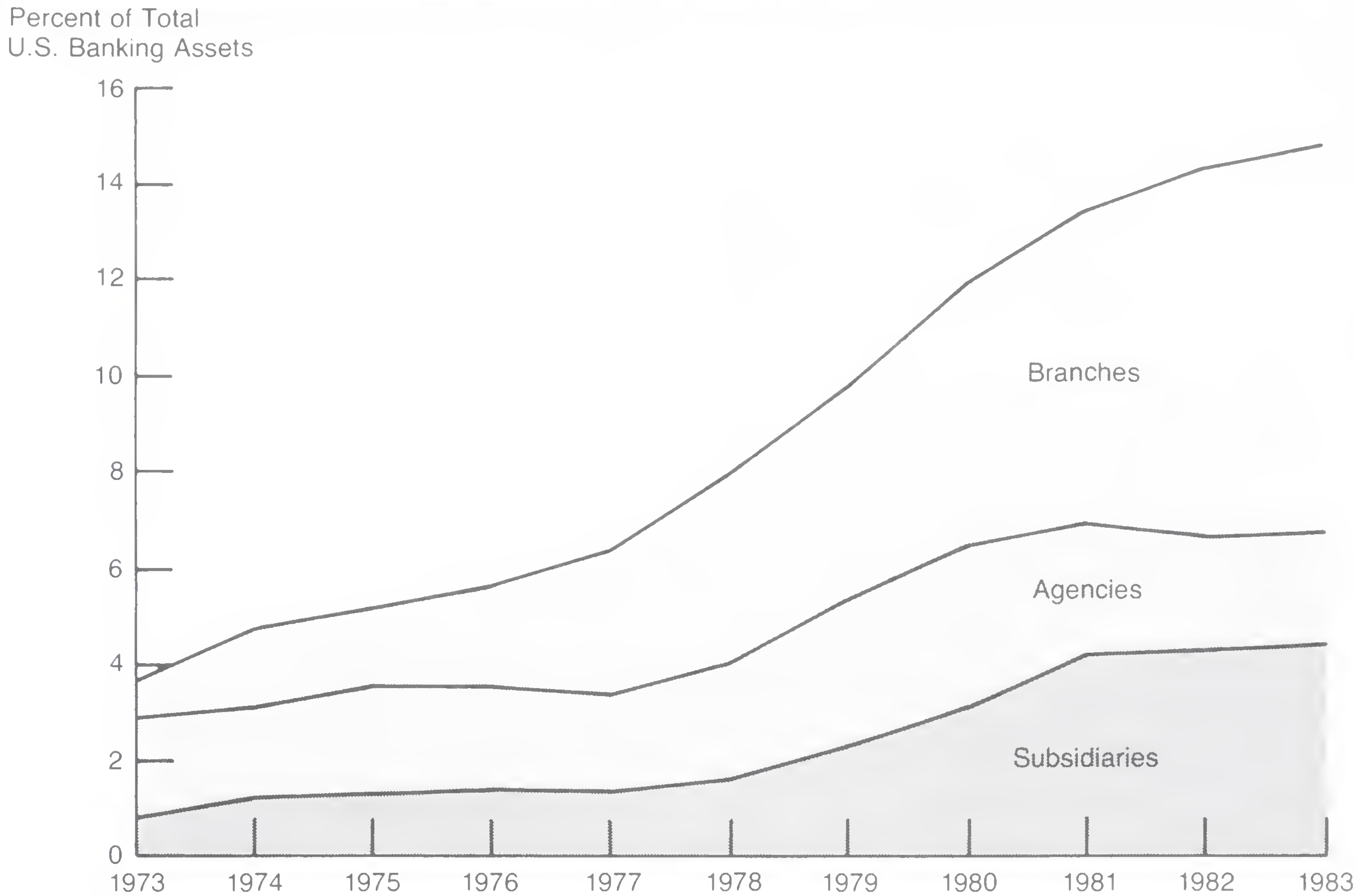
New Organizational Forms

Changes in domestic U.S. legislation have also broadened the choice of organizational presence available to foreign banks:

- The International Banking Act of 1978 gave foreign banks the option of licensing branches and agencies on either the federal or state level and provided for the establishment of federal branches and agencies in the District of Columbia. At year-end 1983, foreign banks operated 59 federal branches and eight federal agencies.
- Prior to 1978, foreign banks could not invest in Edge Act Corporations. Foreign banks now operate 34 Edge Acts, compared to only two at the end of 1979.
- Finally, recent state legislation has permitted foreign banks to establish International Banking Facilities (IBFs). By the end of 1983, there were 320 designated foreign bank IBFs with over $100 billion in assets. Much of the foreign bank asset growth since 1980 has, in fact, been a direct result of a shift of international funds into U.S. IBFs by Japanese banks and others that do not maintain offshore banking offices in the Caribbean.

Figure 1

GROWTH IN FOREIGN BANK SHARE OF U.S. MARKET*



* Includes domestically-chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement Corporations, and New York Investment Companies.

Source: Federal Reserve Board Statistics, OCC Analysis.

Dramatic Increase in Foreign-Acquired Subsidiaries

Foreign bank subsidiaries have been especially noteworthy, both in terms of asset growth and impact on the political environment in the United States. They now account for approximately $98 billion in total assets, compared to only $5 billion in 1973. Perhaps even more important has been the growing trend among foreign banks to acquire existing U.S. banks instead of establishing *de novo* subsidiary banks.

Twenty-six of the 27 foreign bank subsidiaries in operation at year-end 1973 had been established *de novo*. By comparison, nearly one-third of the foreign bank subsidiaries operating at the end of 1983 had been acquired. An additional 25 percent of the subsidiaries were "*de novo* acquirers," a hybrid banking form in which the *de novo* subsidiary of a foreign bank acquires other U.S. bank(s) through merger or bank holding company affiliations.

There has been an accompanying trend toward acquiring larger U.S. banks. In 1979, Standard Chartered Bank (U.K.) acquired Union Bank (30th largest U.S. bank) and National Westminster Bank (U.K.) acquired the National Bank of North America (32nd largest U.S. bank, currently operating under the name National Westminster Bank USA). A year later, Hongkong & Shanghai Banking Corporation (Hong Kong) acquired Marine Midland Bank NA (13th largest U.S. bank). Finally, in 1981, Midland Bank (U.K.) acquired Crocker National Bank (12th largest U.S. bank). These acquisitions generated a considerable amount of political controversy, culminating in the imposition of a 3-month moratorium on foreign bank acquisitions effective March 31, 1980 and a slackened acquisition pace.

By year-end 1983, foreign banks owned [illegible] of the 100 largest U.S. banks (see Table 2). Since then

Table 2
FOREIGN BANK SUBSIDIARIES AMONG THE TOP 100 U.S. BANKS
December 31 1983

Rank by Total Assets	U.S. Bank (location)	*Foreign Bank Parent (home country)*	*Total Assets $ Billion*	*Form of Entry*
12	Crocker National Bank (San Francisco)	Midland Bank Ltd. (U.K.)	23.0	Acquisition
13	Marine Midland Bank, N.A. (Buffalo, NY)	Hongkong & Shanghai Banking Corp. (Hong Kong)	22.6	Acquisition
30	Union Bank (Los Angeles)	Standard Chartered Bank Ltd. (U.K.)	7.9	Acquisition
32	National Westminster Bank USA (NYC)*	Standard Chartered Bank Ltd. (U.K.)	7.5	Acquisition
36	European-American B&TC (NYC)	European-American "Group"**	6.8	De Novo Acquirer
60	Bank of Tokyo Trust Co. (NYC)	Bank of Tokyo Ltd. (Japan)	4.5	De Novo
62	California First Bank (San Francisco)	Bank of Tokyo Ltd. (Japan)	4.3	De Novo Acquirer
82	Israel Discount Bank of NY (NYC)	Israel Discount Bank Ltd. (Israel)	3.4	De Novo
95	Bank Leumi Trust Co. (NYC)	Bank Leumi le-Israel (Israel)	3.0	De Novo Acquirer

* Formerly the National Bank of North America
** Banking "Group" is composed of Amsterdam-Rotterdam Bank (Netherlands), Creditanstalt-Bankverein (Austria), Deutsche Bank (W. Germany), Midland Bank (U.K.), Societe Generale de Banque (Belgium) and Societe Generale (France).

Source: American Banker (March 16, 1984), OCC analysis

Mitsubishi Bank (Japan) acquired the Bank of California (77th largest U.S. bank), Allied Irish Banks (Ireland) acquired the First National Bank of Maryland (84th largest U.S. bank), and Bank of Montreal (Canada) received approval to acquire Harris Trust and Savings Bank (35th largest U.S. bank).

Foreign Banks Have Been Most Active in the Major Money Centers

Most foreign banks have chosen the New York and California financial centers as the base of their U.S. operations. As illustrated in Table 3, nearly 75 percent of all foreign bank offices are located in these two states. New York City, with 46 percent of all foreign bank offices, has been particularly attractive because of its international trade activity, proximity to major corporations, and access to the national and international money markets.

Geographic Expansion Increasing

Foreign banks have also significantly expanded their geographic penetration of the U.S. market over the past decade. In addition to their money center locations in New York and California, foreign banks now [illegible] banking offices in [illegible] other states and the District of Columbia. [illegible] 1973, foreign banks [illegible] other states. The most notable development has been the growth of Florida as a major foreign banking center because of its proximity to the major banking capitals of South America and the Caribbean and its favorable tax treatment. Fifty-two foreign banking offices (mainly agencies) are now active in Florida; none were there as recently as 1977.

Foreign Banks Have Gained a Significant Share of Selected Geographic and Product Markets

Despite operating in only twelve states and the District of Columbia, foreign banks have increased their share of the total U.S. banking market from less than 4 percent of total assets at year-end 1973 to over 14 percent at year-end 1983. Market penetration has been even more pronounced in some states, including New York (42 percent of total state banking assets), California (33 percent), and Oregon (29 percent).

Foreign banks are involved in virtually the entire range of banking service markets. They have been particularly competitive in the commercial and industrial (C & I) loan area and now account for over 18 percent of all C & I loans booked in the U.S. In California and New York, foreign banks booked approximately 40 percent of each state's total C & I loans in 1983.

Table 3
GEOGRAPHIC CONCENTRATION OF FOREIGN BANKING OFFICES
December 31, 1983

	Subsidiaries	*Branches*	*Agencies*	*New York Investment Companies*	*Edge Act Agreement Corps*	*Total No. of Offices*	*Percent of Total*
New York	24	173	39	8	6	250	46%
California	26	17	96		2	141	26%
Florida	2		38		12	52	9%
Illinois	2	43			2	47	9%
Washington		11				11	2%
Georgia			11			11	2%
Texas					11	11	2%
Oregon		7				7	1%
Pennsylvania		6				6	1%
Massachusetts		5				5	1%
District of Columbia		3			1	4	1%
Hawaii			2			2	—
Louisiana			1			1	—
Total	54	265	187	8	34	548	100%

Source: Federal Reserve Board statistics; OCC analysis

Future Outlook for Foreign Bank Operations in the United States

As noted, the rise of foreign banking in the United States has been both swift and dramatic. A decade ago, the foreign bank presence in the U.S. was limited to a few geographic markets with an overall share of less than 4 percent of U.S. banking assets. Currently, more than 400 foreign banks operate banking offices in the U.S. that range from limited purpose representative offices to full scale banking subsidiaries. They hold more than a 14 percent share of total U.S. banking assets and last year booked over 18 percent of all domestic C & I loans. Two of the 15 largest U.S. banks have been acquired by foreign banks.

It is clear, however, that this rate of growth can not be sustained. Foreign banks are reaching a plateau in terms of entry and expansion strategies. Most international-class banks have already entered the U.S. market. In contrast to the period prior to the passage of the International Banking Act, foreign banks' geographic expansion is now limited by American banking prohibitions against interstate offices. With increased competiton from nonbank competitors such as Sears, American Express, and Merrill Lynch, the American banking market is becoming increasingly more competitive and probably less profitable. Competition in this type of market tempers the ability of foreign banks to succeed and remain profitable solely through their traditional methods of price competition.

As the U.S. financial services industry evolves in the next decade, it will be increasingly important for foreign banks to cultivate a niche in the marketplace. Whether they choose to exploit home country ties or become 'Americanized', each foreign bank must find a market niche that emphasizes its own individual strengths and complements its global strategies.

Appendix—Foreign Bank Organization Forms

Foreign banks can establish the following types of U.S. banking offices.

- A Subsidiary Bank has a full range of banking powers and is legally separate from the foreign bank parent. It has its own state or national charter, with its permissible lending limits determined by its own capital base. FDIC insurance on deposits and membership in the Federal Reserve System are required for nationally chartered banks. Subsidiary banks may be either estab-

[illegible] by the foreign bank [illegible]

- A Branch has full banking powers, but is an integral part of the foreign bank that establishes it. The permissible lending limits of foreign bank branches are determined by the parent bank's capital and statutes and regulations of the country in which it is chartered. (Permissible lending limits for banks in most countries are higher than those for U.S. banks.) A foreign bank branch may obtain either a federal or a state license.[2] Deposits may be insured by the FDIC upon application of the branch.

- An Agency can accept credit balances (undisbursed portions of loans and receipts from international trade transactions), but cannot accept conventional deposits. Agencies typically concentrate on wholesale banking, trade financing, and money market operations. They obtain most of their funds by borrowing in U.S. money markets and from banking affiliates abroad. It is not subject to regulatory limits on the size of a loan to any one borrower. Like branches, agencies of foreign banks may obtain either a federal or a state license.[2] FDIC insurance is optional.

- Foreign banks may establish New York Investment Companies. Like agencies, they cannot accept deposits, but they may maintain credit balances. Unlike the other banking offices, New York Investment Companies are permitted to deal in corporate securities.

- The International Banking Act of 1978 gave foreign banks the right to own Edge Act Corporations ("Edges"). An Edge is a federally chartered corporation that makes loans, accepts deposits, and provides a wide variety of banking services directly related to foreign or international transactions. Edges have historically been divided into two basic types: banking Edges (accept deposits from unaffiliated parties) and investment Edges (holding companies through which the parent bank can make equity investments abroad). Beginning in 1980, Edges have been able to branch domestically, regardless of the foreign bank's home state. An Agreement Corporation is similar to a banking Edge, but is state-chartered.

- An International Banking Facility is not a separate legal entity, but a set of asset and liability accounts on the books and records of the establishing entity. The latter may be a U.S. depository institution, a U.S. branch or agency of a foreign bank, an Edge Act Corporation, or an Agreement Corporation. IBFs may accept deposits from and extend credit only to foreign residents, their establishing entity, and other IBFs. When operated under rules established by the Federal Reserve Board, their deposits are free of reserve requirements and interest rate ceilings. In addition, some states exempt IBF transactions from state and local income taxes.

- The Representative Office is the least powerful but most common form of foreign bank operation in the United States. Representative offices conduct no direct banking business in the U.S. (i.e., accept deposits, make loans, etc.). Instead, they 'refer' business back to the foreign bank parent. Since representative offices are not engaged in any local banking activity, they are essentially unregulated and are the easiest type of office for a foreign bank to establish and maintain. Representative offices are, however, required by Section 10 of the International Banking Act of 1978 to register with the U.S. Treasury Department.

Melanie R. Quinn
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[1] The International Banking Act of 1978 restricts the kinds of deposits that can be accepted at a branch outside the designated home state.

[2] If the branch or agency of a foreign bank obtains a federal license, it is subject to the regulation and supervision of the Comptroller of the Currency. If it obtains a state license, it is subject to the regulation and supervision of the state in which it receives the license. In either case, FDIC insurance is optional.

Speeches and Congressional Testimony

Remarks by C. T. Conover, Comptroller of the Currency, before the 57th Assembly for Bank Directors, Hiltonhead Island, S.C., April 13, 1984

"No More Mr. Nice Guy: Tough New Role for Bank Directors"

Regulators expect a lot from bank directors—so do stockholders and depositors. And in the future even more will be expected. In broad terms, you are already responsible for overseeing the bank's policies, plans, and operations; assuring that the bank complies with the law; and earning an attractive return for stockholders.

Now, rapid change in the marketplace is adding new dimensions to this responsibility. And I think it is important for us to look at this evolution. My theme is, "No More Mr. Nice Guy"—that is, bank directors need to play a tough new role to carry out their responsibilities.

I'd like to begin by reading a note from the chief executive officer of a large national bank. It is the CEO's blow-by-blow description of his final board meeting. The note reads: "Item one, the stuff hits the fan. Item two, I stand. Item three, the board salutes. Item four, the board recommends that I summarily fall on my sword. Item five, the board members display sword collections."

Unfortunately, the responsibilities of a bank director are not that simple. You have to do more than just maintain a sword collection. It's a more time-consuming job than you might think, hope or expect. You must personally sign the examination report. If we take an enforcement action against your bank, you must sign that agreement too. When an institution fails, the FDIC will attempt to seek recovery from the directors. Naturally, you can be fined for violations of the legal lending limit and for insider dealings. Board members are no longer outside observers; they are often invited to join the CEO if he must fall on his sword.

In short, bank directors have a lot more responsibility. The role of the bank director is no longer ceremonial; your business is serious. That means you had better understand how your bank is doing and what changes are occurring in banking today.

What Has Changed?

In the past the banking industry was highly regulated and supervised. Your banks were subjected to frequent examinations. Most of you received our examination reports on bank operations three times every 2 years. And banks had heavy reporting requirements.

Banks were also subjected to very restrictive laws that didn't let you do too much, so you couldn't get into a lot of trouble unless you worked at it. The laws and regulations were your policies. They clearly stated what could and could not be done.

Things have changed. Today full examinations are less frequent—every 3 years for small healthy banks. We cut back on our examinations because of personnel restraints and to concentrate our efforts on those banks that pose the greatest risk to the banking system. Those are generally large banks and small problem banks. Then, too, many of the laws and regulations are becoming less restrictive or being removed outright. And banks have been given the powers to offer additional products and services.

Competition based on price, tighter margins, and relaxation of geographic barriers have also made the banking business riskier and more complex. The combination of these factors has fundamentally changed the practice of banking and the role and responsibilities of the bank director.

The principal difference today is that the board must exercise control while management exercises the controls. Peter Drucker explains the difference this way: "Controls pertain to means, control to an end. Controls deal with facts, that is, with the events of the past. Control deals with expectations, that is, with the future. Controls are analytical, concerned with what was and is. Control is normative and concerned with what ought to be."

If we put Peter Drucker's words into bankers' terms—controls are those policies, procedures, and information systems that must be put into place so that management can run the day-to-day operations of your bank. In today's environment it is absolutely essential that you have adequate controls in place. Control, on the other hand, is the process of developing a future for your bank; it's where you should be spending most of your time.

How Do You Exercise Control?

In a rapidly changing environment [illegible] on being future directed. So how [illegible]

[illegible] exercising control? First, you need [illegible] picture of where you are [illegible] your strengths, weaknesses and [illegible] Based on that knowledge you [illegible] where you want to be. [illegible] corporate objectives and develop strategic plans to reach them.

In determining your bank's objectives, you have to decide who you want to serve. Do you want to be all things to all people? Or should you specialize? Then you must decide how you want to serve the market. That includes what kinds of products and services you should provide and what kind of delivery system would be most efficient. You must also decide what degree of risk you are willing to take or must take to successfully serve that target market.

These strategic planning decisions must be based on an analysis of what's right for your bank, not just what's possible. Too many bankers feel that because an activity is allowed they must get into it. You can't do everything. Do what your bank can do profitably and safely within the capacity of your management team. Concentrate on what you do best. New legal powers will increase the range of possibility, so will technology. But you will have to decide how to make best use of both. And you will have to decide how and when to innovate.

Basically, that is the process of exercising control. If your board hasn't gone through this process, it had better do so soon. Neither a philosophy of "business as usual" nor one of "let's do everything" will work. And if you have only an idea of where you want to go and no plan for getting there, you are no better off. To profess to have an aim and then to neglect the means of its execution is self-delusion of the most dangerous sort.

What Kind of Organization?

Can you exercise control with an organizational structure that was developed to function in a highly regulated environment? Can you do it with group decision-making at all levels in the organization? By forcing all decision-making to senior levels? The answer to each of these [illegible]

[illegible] what kind of an organization [illegible] strategic plan. The [illegible] your strategic [illegible] This will [illegible] about the [illegible]

found in organizations with cumbersome committee review and approval mechanisms.

In order to be responsive to the demands of a competitive marketplace, you need a highly qualified senior management team. That team must be supplemented with quality people at all levels of management in the organization— people who you can entrust with decisionmaking responsibilities. And you must compensate them adequately, if you want to keep them.

A competent senior management team will also help ease the transition from today to tomorrow. They can help to finance the future by reducing operating costs today. Tight expense control is very important.

The New Players

As competition heats up, changes in your delivery system, target market and a host of other areas are necessary to contain costs and maintain profitability. This points to some fundamental changes in the composition of the board and in the selection and retention of a chief executive officer.

As banks become involved in a ever-increasing number of activities, it is unlikely that every director will have background and experience in each. To direct the bank's affairs, the board members must act as a team, relying on the expertise of others in those areas where one's own background and experience may be deficient.

Banks must be willing to pay for the special expertise they need for a progressive board of directors. I think this is an area that every bank needs to examine. The fees for bank directors should reflect both their responsibilities and the time commitment that the job requires.

Obviously, the changes in the role and practice of banking have an equally important effect on the type of chief executive officer needed to operate the bank. Not only must the CEO be honest and proficient in financial matters, but today the chief executive must be able to deal with technology and the pressures of new products and services, new competition, new geography, and changing demographics as well.

So what do you do if your chief executive has neither the vision or the capability to deal with the realities of today's marketplace and is inadequately serving the bank? You're going to have to bite the bullet and say "No More Mr. Nice Guy." The ultimate decision is yours, but to succeed in a competitive marketplace you are going to need a skilled and highly qualified

chief executive. If you don't have one, you should get one. Selection of the CEO is one of your most important responsibilities.

Some Essential Controls

Your bank will need good controls in all areas—capital, funding, operations and others. But there are two areas where good controls and clear policies are absolutely essential to achievement of an ambitious strategic plan—disclosure and audits. And I urge each of you to honestly review your policies and procedures for these areas.

The need for adequate disclosure policies has never been more important. When you change your fee structure, let your customers know about it. Don't make them wait until they use the service. Let them know how long it will take for a check to clear. Provide adequate and reliable information in your IRA advertisements. Whatever changes you make, let your customers know.

If you don't keep your customers informed, they will sour on the need for further deregulation, and banks may even face reregulation. That would have a dramatic effect on your bank's ability to compete with other financial service providers in the future. Keep your customers informed or they will turn against you.

Another important policy area for directors is audits. The bank needs adequate administrative, financial, operating and internal controls in order to safeguard its assets. That implies the necessity of operational audits to insure that your policies and procedures are adequate and fully implemented, as well as financial audits to insure the adequacy of financial data.

External audits are especially important now that bank examiners visit your bank less often than they did in the past. These auditors can help you improve the quality of management information and your internal controls. They can assist you with complex accounting issues, systems changes, and other operational changes that have resulted from the new activities allowed in the deregulated environment. The external auditors can even provide suggestions for making your operations more efficient. They can also help to improve the quality of information that you make available to depositors. An external audit by a qualified accountant on an annual basis is not a luxury; it's an absolute necessity.

Conclusion

These, then, are some of the ways in which I see the role and responsibility of the bank director becoming more important—and more difficult. What it all boils down to is that an effective bank director must be a complex breed of leader and team player—visionary not vacuous, bold not bland, and courageous not cowardly. The requirements are many, the responsibilities are great, but if you can handle the task, you are in for some interesting and challenging times.

Remarks by C. T. Conover, Comptroller of the Currency, Financial Executives Institute, San Francisco, Calif., April 26, 1984

"The Changing World of Financial Services"

I am pleased to be here today. It's not often that I get the chance to talk to a group of former colleagues. Tonight, I'd like to tell you about what I have been doing as Comptroller of the Currency. Since this is National Consumers Week, I will also talk about how the changes in the financial service marketplace will affect you as consumers of those services.

But first, for the benefit of those who don't know what the Comptroller of the Currency does, I'll try to explain. You won't find my name on the dollar bill. In fact, the Comptroller of the Currency has nothing to do with currency or controlling the money supply. A title that better describes the office is Administrator of National Banks.

The Comptroller's office is responsible for about 4,700 national banks whose assets total $1.2 trillion. Those banks are under our supervision from the day we charter them until the day they close their doors. We decide whether Wells Fargo can open a branch in Lafayette, or Bank of America can add a new ATM, or whether Security Pacific should increase its capital. And we issue regulations and enforce all federal and state laws for national banks.

To do that we conduct on-site examinations of all national banks. In the case of a very small, well-managed bank a full examination happens every 3 years. But in the case of a really big bank, our examiners visit more often and stay for much longer periods of time.

In a few instances, where a bank gets [illegible]

[illegible] Because of [illegible] possibilities, the [illegible] Comptroller's office performs [illegible] integrity and stability of the financial services marketplace. It's that function that I want to talk about tonight.

The Role That Change Plays

As Comptroller, the biggest problem I face is change. How should I react to it? How should I effect it? How can I control it? I think that we can agree that all management today is the management of change. And how we manage that change affects or influences the context of our own future realities.

Over a century ago, Disraeli addressed the subject of change in the House of Commons. He said, "Change is inevitable. In a progressive country, change is constant." But if change is really inevitable why do so many people fear it? Why do they fight against it?

The reasons for these contradictory feelings are basic. For most people, there are two kinds of change—good and bad. The good changes are the ones I like, the bad changes are the ones I dislike.

I am very familiar with these contradictions because one of my goals for the Comptroller's office is to act as an agent for change in the financial services marketplace. To accomplish that goal, we have adopted a free market philosophy. One of our guiding principles has been that any change we promote must be guided by the forces of the marketplace. Another is that these changes must benefit consumers and businesses. So our changes really are the good ones.

Banks Are No Longer Different

For the market to be free and competitive and benefit consumers and small businesses, banks cannot be treated differently or more harshly than other providers. So we are fighting to remove the barriers to competition that banks now face.

Many of those who oppose these changes say that banks must be treated differently because of their unique role in our economic system. Banks are unique because of the important part they play in our payment system, because they are agents for monetary control, and because they provide a safe haven for deposits. But banks have lost uniqueness in terms of the products they can provide to the public.

[illegible] single service or product [illegible] exclusively by commercial banks [illegible]

est bearing accounts and draw against them with a credit card.

Mortgage companies originate real estate and construction loans, place these loans with others, and service the accounts. Various types of finance companies make loans to individuals and businesses. Insurance companies sell policies with premiums that accumulate and earn interest and they make commercial loans.

Federal thrift institutions can make commercial, consumer, and mortgage loans; provide checking accounts, and accept time and savings deposits. Federal credit unions take time and savings deposits, provide the equivalent of checking accounts, and make personal loans.

System Is Balanced Against Banks

All of these banklike competitors can operate with fewer geographic and product restrictions than banks. They have helped to make the marketplace more competitive on a national basis and more innovative in terms of products and services. But imagine how much more competitive and innovative the marketplace could be if banks were also allowed to compete.

As a result of these competitive inequities, banks are losing customers to such aggressive firms as Merrill Lynch, Sears, J.C. Penney, and American Express, who can offer more products and services over a wider geographic area. Federal thrift institutions can operate ATMs across state lines. The unitary thrift holding companies can engage in virtually unlimited activities by owning an S&L, a full service securities firm, an insurance company, a real estate company, and a commercial finance company along with other nonfinancial interests. And those who doubt the geographic flexibility of the federal credit union need only look at the Navy Credit Union. It has offices worldwide.

You, as consumers of these financial services, have shown that you have no special allegiance to banks. In fact, you couldn't care less if the provider is a bank, a thrift, an insurance company or a full service securities firm. What you do care about is that the provider you use can give you the products and services you want at a competitive price. If banks can't offer those products and services competitively, you'll move your account down the street to a provider that can.

So the 50 year old legal structure that was originally designed to protect banks and their customers no longer works. These barriers to competition only serve

to deprive the public and business community from the benefits of a free and competitive marketplace

Comptroller's Office—Agent for Change

Since I became Comptroller we have been trying to make the marketplace free and competitive. We have been strong supporters of deregulation.

We have authorized commercial banks to offer discount brokerage and investment advisory services. We permitted banks to provide common trust funds for the collective investment of IRA contributions. We allowed them to operate futures commission merchant subsidiaries, to lease space to insurance agents, to underwrite credit life insurance, and to offer plain English trusts which will broaden the market for trust services.

In addition, we gave banks greater flexibility in structuring loans to meet the needs of the marketplace. We worked to increase the legal lending limit. We significantly liberalized our regulations regarding real estate loans. We removed restrictions on loan-to-value ratios and maturities. We issued a flexible regulation on adjustable-rate mortgages. And we permitted banks to enforce due-on-sale clauses.

We also reduced barriers to entry in the financial services system. The procedures for obtaining a national bank charter were streamlined. The process for forming and acquiring operating subsidiaries was simplified. And we eliminated or reduced the length, complexity, and processing time for many of our applications.

Internally, we made some changes to help reduce the regulatory burden. We changed our examination scheduling to concentrate our efforts where they are really needed. And we required banks to disclose more information to the public. That allows us to supplement government regulation with marketplace discipline.

We also reorganized the office's field structure to provide better access to the banks we supervise. And we have upgraded our examination effort with the addition of microcomputers. Each examination team will bring one of these microcomputers with them when they perform an on-site examination.

While these represent significant changes, much more needs to be done. Unfortunately, we can't effect all the necessary changes by ourselves. There are still some very old laws that are acting as barriers to competition. Those laws must be changed for the full benefits of the free market to be realized

Needed Legislative Changes

So, what still needs to be done for the marketplace to be responsive to customer demands? Banks must be free to compete on the basis of price; they must be free to offer the same products and services as other providers; they must be able to compete over the same geographic area, and they must be regulated by function rather than by charter

Legislation is now being considered that would address all of these areas. A new bill introduced by Senator Garn of Utah would permit banks to compete with Sears, Merrill Lynch, American Express, and J.C. Penney. This bill would give bank holding companies new powers to enter all aspects of the insurance business, virtually all aspects of real estate development and brokerage, the savings and loan business, and some aspects of investment banking. At the same time it would complete the process of interest rate deregulation by allowing banks to pay interest on corporate checking accounts.

Passage of the new Garn Bill would also be a politically realistic first step to interstate banking. It would put the federal blessing on a regional approach to interstate banking by endorsing the right of the states to develop reciprocal interstate banking laws

Another important development has been in the area of functional regulation. I was a member of a task force of government regulators assembled by Vice President Bush to determine the changes needed in the regulatory structure governing financial institutions. The recommendations made by this task force will be put into the form of legislation and introduced into Congress around the end of this session

The task force recommended that the Federal Reserve maintain regulatory authority over the 50 biggest bank holding companies. But other national bank holding companies would be regulated by the Comptroller's Office, which also regulates all national banks. The Federal Deposit Insurance Corporation would concentrate on deposit insurance, the Securities and Exchange Commission would regulate bank securities activities; and the Justice Department would handle bank mergers.

Benefits to the Customer

Let me explain some of the ways the public would benefit if these proposals became law. First, there would be one stop shopping for financial services. The public would be able to obtain deposit, loan, insurance, securities, and real estate services at a single location

[illegible] new "no minimum" service products [illegible] management [illegible] as a result of allowing affiliations between banks and securities brokers. Competition should lower the minimum balance requirements of these accounts and make them accessible to more customers.

The public would also benefit from new product innovations. With the ability to integrate different financial services into one package, product designers would have the freedom to creatively combine financial services in new and imaginative ways.

There would be lower costs for insurance and real estate products. Affiliations between depository institutions and insurance and real estate firms would increase competition and result in more efficient distribution systems, thereby lowering costs.

These changes would also increase the flow of housing credit by permitting banks to pool mortgages and sell mortgage-backed securities. This will make mortgages a more attractive investment instrument and will help to make mortgage interest rates more competitive.

In addition, banks would be able to provide better services to small businesses. They will be able to design low-cost cash management services for small businesses by using their ability to offer interest-bearing checking accounts and mutual fund services.

And finally, these proposals would result in stronger community institutions. By affiliating with one another, small local providers of financial services such as small community banks, insurance agents, and local independent real estate firms will be better able to compete with large nationwide organizations like Merrill Lynch, Sears, and American Express. And individuals and small businesses will be able to obtain new products from community institutions familiar with local needs.

A free and competitive marketplace will benefit each of us. The issue is not Sears versus Citibank or American Express versus Bank of America. The issue is whether or not the public will receive the full range of benefits that are possible. And I think they deserve the best products and services at the lowest price through the most convenient delivery system.

Conclusion

The next time you hear an outcry against these proposed changes from the securities, insurance, or real estate industries, remember this. They have made a number of forays into the banking business, yet they still want to protect their own special turf from more competition. They are concerned about what change may do to their particular industry, and not what change will do for customers.

There is no room in a free market for such blatant protectionism. I encourage the users of financial services to help counter these efforts. They can do that by directing the energies and resources of the business and professional communities toward the development of a free and competitive marketplace. Change can be effected, but only when customers are willing to stand up and say, "let banks compete."

Remarks by C. T. Conover, Comptroller of the Currency, ABA Meeting of the Spring Councils, Marco Island, Fla., April 30, 1984

"Keeping the Fox Out of the Chicken Coop"

It is a pleasure to be here. But there is one thing that concerns me today. I am afraid that some bankers still believe that the changes happening in the marketplace can be stopped. They think there is still a chance to turn back the clock to the good old days through legislature and regulation. But, as an old saying goes, it is useless for chickens to pass resolutions to keep the fox out of the chicken coop as long as the fox is of a different opinion. In your case, there are [illegible] who couldn't [illegible].

[illegible] pipe dream about returning to the good old days. Furthermore, that will not keep the fox out of your coop. But I believe there is still time for you to roll up your sleeves, develop a strategy that is workable, and come out with most of your feathers intact.

Yogi Berra, the manager of the New York Yankees, was talking to a reporter about the team's new second baseman. He said, "The only thing standing between that kid and an outstanding career is performance." And that, too, remains the key for this assembly — performance. Will your actions and deliberations here result in a strategy that can win you new powers? [illegible]

believe the future of the Garn Bill will be decided in the next 8 weeks. You're going to need a clear cut strategy to get what you want.

Banks Have No Special Powers

In case you think there is no compelling reason for decisive action now, I would like to tell you a little bit about the environment of the financial services marketplace. The uniqueness of your commercial banking charter was robbed from you bit by bit while everyone quibbled over the definition of a bank. Today there is no longer a single service or product line that is offered exclusively by commercial banks. I can keep my checking account at Dean Witter. I can get a commercial loan from a savings and loan institution. I can get my mortgage from a real estate company or First Boston Corp. And I can get my bank card from AAA, the car insurance people.

If we compare product offerings among the various types of financial service providers, the results are startling. Brokerage firms pay interest on idle balances and allow account holders to write checks on these interest bearing accounts. They also allow account holders to draw against them with a credit card.

Mortgage companies originate real estate and construction loans, place these loans, and service the accounts. Various types of finance companies make loans to individuals and businesses. Insurance companies sell policies with premiums that accumulate interest and make commercial loans.

Federal savings and loan institutions can make commercial, consumer, and mortgage loans; provide checking accounts; and accept time and savings deposits. Federal credit unions take time and savings deposits; provide the equivalent of checking accounts; and make personal loans.

And these are not your only competitors. Many of the large financial conglomerates have three or more different financial elements under the same umbrella. And some have consumer banks, too.

Banks Are On the Losing End

All of these banklike competitors can operate with fewer geographic and product restrictions than you. On the one hand, they have helped to make the marketplace more competitive on a national basis and more innovative in terms of products and services. On the other hand, they have invaded your turf without yielding much of their own ground to you. And if you don't get the powers you need to compete with them, it's only a matter of time before they are going to take over your chicken coop and lease you space.

You are losing customers daily to the likes of Merrill Lynch, Sears, J.C. Penney, and American Express who can offer more products and services over a wider geographic area. Even the federal thrift institutions are in better shape than you geographically. They can operate ATMs across state lines.

The unitary thrift holding company is a much better model for the depository institution of the future. If you don't get the powers you want, many of you ought to consider giving up your charter and becoming a unitary thrift holding company.

The unitary thrift holding company can engage in virtually unlimited financial activities by including just five affiliates in the holding company structure—an S&L, an insurance company, a full srvice securities firm, a commercial finance company, and a real estate company. The S&L could have a nationwide network of ATM's and meet any portfolio test required for tax or commercial loans you can buy them for the insurance company portfolio, or sell them to the commercial finance company, or allow the full service securities firm to pool them and sell them to outside investors. You can't do that with the charter you have now.

If you doubt the geographic flexibility of the federal credit unions, you may be wrong. Look at the Navy Federal Credit Union. It has offices worldwide.

Furthermore, the consumers of financial services have no special need to obtain those services from a bank. Consumers couldn't care less what sign is hanging over the door. What they do care about is whether you can provide the products and services they want at a competitive price. If banks can't offer those products and services competitively, consumers will simply move their accounts down the street to someone that can.

How Do You Get New Powers?

It may be too late to turn back the clock, but if banks act now there is still time to put themselves into a position where they can compete. But to do that they need new powers. There are two ways you can get them: from the regulators or by changing the laws.

The Comptroller's office has been helping banks make the transition to this new competitive world of financial services. But we can't do it alone.

Since I became Comptroller, we have been firm supporters of deregulation. We authorized commercial banks to offer discount brokerage and investment advisory services. We permitted banks to place common trust funds for the collective investment of [illegible]

[illegible] plain English [illegible] the market for trust serv- ices.

In addition, we gave banks greater flexibility in structuring loans to meet the needs of the marketplace. We worked to raise the legal lending limit. We have significantly liberalized our regulations regarding real estate loans. We removed restrictions on loan-to-value ratios and maturities. We issued a flexible regulation on adjustable-rate mortgages. And we permitted banks to enforce due-on-sale clauses.

We also reduced barriers to entry into the financial services industry. The procedures for obtaining a national bank charter were streamlined. The process for forming and acquiring operating subsidiaries was simplified. And we eliminated or reduced the length, complexity, and processing time for many of our applications.

But there's a limit on how much we can do. The full benefits of deregulation will only be available to bank customers when banks get added flexibility through new product powers, a removal of geographic barriers to competition, and regulation based on function rather than charter. For that to happen, the laws must be changed.

The Garn Bill would certainly go a long way towards making you competitively viable again. This bill would give bank holding companies new powers to enter all aspects of the insurance business, virtually all aspects of real estate development and brokerage, the savings and loan business, and some aspects of investment banking. At the same time it would complete the process of interest rate deregulation by allowing banks to pay interest on corporate checking accounts. Passage of the bill would also be a politically realistic first step toward interstate banking.

Reach a Compromise

So the Garn Bill would meet many of your needs. Moreover, it would provide significant benefits to consumers and small businesses. But where do you stand as far as getting it? I've had my ear to the ground [illegible] and I'm afraid you still [illegible] Consumers and small businesses [illegible] that giving you new powers would [illegible] them [illegible] that they have something to gain, and you'll have to accommodate the securities, insurance and real estate industries.

Some banks have done a good job. But it only takes a few outliers to create real problems. Those outliers have ignored the needs and interests of consumers and small businesses. They have a poor record on funds availability, on stretching the truth in their advertisements for IRAs, and on changing their fee structure and letting customers find out about it when they use the services. They have also proven that unresponsible actions always make good headlines for your opponents, as we have seen over the last few months.

If you wage a massive education campaign now, maybe you can win back your customers. Tell them openly and honestly about the reasons for rising service fees. Be more honest in your disclosure. And let them know how they would benefit if you received more powers.

You also have to be prepared to strike a deal with the fox. You still have to give something up to the insurance, securities, and real estate industries to make this a win-win situation. And believe me, you're not going to get anything unless the powers bill is seen as a win-win situation.

I think it is very important that during this week you also develop a fall back position. Certainly a bill could be drafted that contains less than the full range of changes you want, but would still provide you with some powers. I can't tell you what it should be, but by the time you leave here you had better know.

For example, perhaps insurance or real estate brokerage by banks could be limited to acquisition of existing firms with ownership not to exceed 50 percent for the first five years. Or maybe you could interest the securities industry by supporting consumer banks and by including more rational limitation on brokered deposits. I'm not sure what the concessions should be. I do know they will have to be made.

Conclusion

If you don't take positive action, one of three things is going to happen. You'll get the Garn Bill, with all the powers except interest on demand deposits removed, but with some strong language on service fees and funds availability. Or there will be a moratorium on further changes, which will really only hurt you. Other providers are unaffected by geography and they will continue to introduce banklike products and continue to steal your market share. Or if we don't have a

moratorium, financial strategies will continue to be developed by lawyers looking for loopholes in the law. That is hardly the most effective way to safeguard the public interest in a strong, stable and competitive financial system.

As I said earlier, the only thing separating commercial banking from a promising future is performance. The question is, "Are you willing to perform?" If you aren't, we will be forced to watch commercial banking take a back seat in the financial services marketplace. That would result in the gradual erosion of the safety and soundness of the banking system. And U.S. economic stability as a whole would suffer from the effects of that erosion. Rather than let that happen, each of us has the responsibility to perform. So let's get on with the job.

Statement of C. T. Conover, Comptroller of the Currency, before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the House Committee on Government Operations, Washington, D.C., May 3, 1984

Thank you for again allowing us to present the views of the Office of the Comptroller of the Currency (OCC) on the subject of criminal misconduct by bank officers, directors, and insiders. The Office of the Comptroller of the Currency has been deeply committed for many years to the identification and prosecution of insiders who violate banking laws. With me are H. Joe Selby, Senior Deputy Comptroller for Bank Supervision, and Robert B. Serino, Deputy Chief Counsel (Operations) and former Director of the Enforcement and Compliance Division. I will defer to these experts on specific aspects of OCC's criminal referral process. Our views are not necessarily those of the Administration.

Since we testified before the Subcommittee less than a year ago on this topic and have spent considerable time assembling information for the Subcommittee since then, including the 50-page appendix to this statement, I will make my remarks brief. After quickly reviewing our general approach to insider abuse, I will describe some of the things we have done in the past 10 months and provide you with some recommendations for improving the criminal referral process as a whole.

Approach to Potential Violations of Criminal Law

OCC periodically examines every national bank to determine whether it is operating in a safe and sound manner and in compliance with all applicable laws, rules and regulations. If an examiner discovers a possible violation of criminal law during an examination, a report is written to the district office setting forth the facts concerning the alleged violation. If our district legal staff agrees that the facts indicate a possible violation of criminal law, the report is transmitted to the United States Attorney and appropriate investigatory authorities. The length and specificity of our criminal referrals vary with the complexity of the case and the severity of the suspected violations.

To improve the quality of our criminal referrals, we have devoted considerable resources to training examining personnel. All of our examiners are trained in certain aspects of criminal law and in the documentation and reporting of possible crimes. Moreover, since 1978, we have conducted a formal training program on white-collar crime. This course is designed to instruct specially selected senior bank examiners on such matters as investigations, interviewing, testimony, and making an effective criminal referral. These examiners have, in some instances, been called upon to assist in or conduct special investigations where questionable activity was suspected.

Recent Improvements

Along with our emphasis on training, we have been focusing on improved monitoring of criminal referrals made by this Office. Since we last testified before the Subcommittee, our Enforcement and Compliance Information System has become fully operational. This computerized data base includes specifics on suspected criminal violations as well as the names of OCC personnel involved with each case and the status of each criminal referral. An authorized user can retrieve data at any time. Reports will be generated quarterly summarizing the data with cross-references to OCC administrative actions. We believe this system will enable us to work more closely with the Justice Department in tracking referrals, to keep our district offices better informed of the status of criminal referrals, and to determine the suitability of individuals as officers, directors, and employees of national banks.

Recommendations

Despite our best efforts to develop a criminal referral, not every case—and not even every good one—is

[illegible] the number of prosecution[illegible] [illegible] The Justice Department might consider allocating additional resources to dealing with banking-related crime and might strive to improve law enforcement personnel's understanding of white-collar crime. While we realize that the Justice Department has limited resources, we believe banking-related crime deserves more enforcement attention in order to ensure the safety and soundness of financial institutions and the stability of the banking system as a whole.

Better communication and coordination between the law enforcement community and the banking agencies would also improve the prosecution of potential criminal law violations. Towards that end, our examiners continually work with law enforcement officials, providing information on referrals. In many instances, OCC staffers have been detailed to work with the Justice Department during the investigative and trial stages of cases.

But the communication cannot be one-sided; the banking agencies need more information from Justice regarding their investigations. Justice should establish a procedure for notifying the banking agencies whenever it learns of a potential violation of law involving a financial institution. This would enable us to offer assistance to Justice as well as to concentrate our limited resources on particular transactions and institutions in the hope of uncovering fraud in its early stages rather than after a bank has been closed. The Justice Department should also monitor major cases throughout the United States and update the banking agencies as to their status.

In addition, the Justice Department should consider maintaining a comprehensive computerized system containing referrals made by all the banking agencies and should periodically cross-check names to determine if individuals show up on more than one occasion. With such cross sorting, repeat *de minimus* offenders could be identified and prosecuted.

Further steps will require legislative action by Congress. Existing privacy and secrecy statutes need revision to eliminate unwarranted barriers to the exchange of information among agencies, consistent with the protection of civil liberties. Specifically, the Right to Financial Privacy Act might be modified to permit the exchange of information among agencies whenever [illegible] has been identified.

[illegible] Comprehensive Crime Control Act could be enacted. Such legislation would override what we consider the courts' misconstruing of various bank fraud statutes and eliminate some of the evidentiary and jurisdictional difficulties in prosecuting such cases.

With regard to our own operation, we are reviewing regulations that require banks and OCC examiners to refer all violations of law to Justice and the FBI regardless of the amount involved, the seriousness of the violation, or the likelihood of successful prosecution. It is simply impossible to prosecute many of the *de minimus* referrals, given their overwhelming numbers. In order to eliminate the burden of making and receiving referrals which stand only a slight chance of prosecution, we suggest that Justice consider a minimum threshold level for reporting violations, a mechanism to handle the *de minimus* offenders, and a way to improve coordination with the states to handle cases not prosecuted by the Federal Government.

Conclusion

The OCC believes the strongest deterrent to criminal misconduct by banking insiders is the swift and sure prosecution of potential violations of criminal law. We stand ready to assist the law enforcement community in any way we can, consistent with our examination mandate, statutory constraints, and resource limitations. In pursuit of our mutual goal, we look forward to working with the Subcommittee, the Justice Department and other agencies to improve the criminal referral system.

Appendix

I. The Threat of Insider Abuse

a. Our study of the 75 FDIC-insured commercial banks that failed between January 1980 and June 1983 shows that approximately 60 percent of those banks involved probable criminal misconduct by bank officers, directors or insiders. (1) Please comment on these findings and indicate whether you think that insider criminal misconduct constitutes a major cause of recent bank failures. (2) Is insider abuse increasing or decreasing in national banks? (3) What attempt does the OCC make to gauge the rate or severity of insider abuse in national banks?

1. Insider criminal misconduct has been and continues to be one of the major causes of failures. Of the 15 national bank failures between 1980 and June 30, 1983, insider misconduct was a major cause of nine of the failures. In the 10 failures since June 30, 1983, insider misconduct was a major cause of four of the failures. Obviously, insider abuse continues to be a

major problem and continues to receive the close attention of the OCC.

2. It is difficult to tell whether insider abuse is increasing or decreasing. There are isolated instances where we have identified rampant insider abuse. We believe these are the exception. Because of their visibility, however, the problem appears to be larger than it really is when you consider that there are over 14,000 commercial banks, the vast majority of which have no identified insider abuse. It is believed that over-aggressiveness and undue risk-taking when coupled with poor economic conditions can lead to various types of insider abuse.

3. The examination process is the primary vehicle for determining the existence of insider abuse. A thorough review of all significant insider transactions is an integral part of all examinations. Transactions are reviewed for compliance with laws and regulation, adherence to the bank's own policies, consistency with reported information and the existence of any preferential treatment. Emphasis is also placed on controls the bank has established to prevent any one individual from dominating a transaction.

Information on insider activities is collected through the Report of Examination. Included in the Report is detailed information on loans to insiders which are criticized by the examiners, any evidence of preferential treatment, any violations of other laws and regulations or any other evidence of insider abuse.

In addition, banks are required to report quarterly the total amount of loans to executive officers, principal shareholders and their related interests, as well as the number of those persons having significant amounts of such loans outstanding.

The information from the reports of examination and the quarterly reports from all national banks, state member banks and insured state non-member banks are included in the National Bank Surveillance System (NBSS). The banking agencies are thus able to monitor and evaluate trends in specific banks, groups of banks or the banking industry via the NBSS.

b. In the 10 months since our first hearing on this subject, what changes and improvements has the OCC made in its policies or procedures concerning (1) civil enforcement against insider abuse, and (2) the tracking or monitoring of criminal referrals made to the Department of Justice? What specific progress has been made in the implementation of the agency's computer system for monitoring criminal referrals?

1. Existing policies and procedures concerning civil enforcement against insider abuse are comprehensive and have been aggressively employed by the OCC. Recent efforts have been directed toward further refining these policies and procedures and improving overall timeliness. In this regard, two major studies have been done in the last 10 months. The first one, the Bank Enforcement Supervision Task Force (BEST), evaluated the entire enforcement and special supervisory process to determine whether there are better ways of employing our resources. The second one has reviewed and is continuing to review the Civil Money Penalty process in the Office. Its recommendations likewise will aid in our employment of resources and in our continued aggressive use of the CMP powers.

2. The OCC's Enforcement and Compliance Information System (ECIS) has become fully operational. This computerized system will assist the OCC in the supervision and referral of suspected criminal activity involving national banks and in monitoring the status of such referrals. ECIS collects and stores information on suspected transactions, the banks involved, suspected violators, types of violations and agency actions taken as these cases develop.

c. Please describe to what extent the agency has taken insider abuse into account in fashioning recent regulatory changes. What effect do you think that the recently raised insider lending limit will have on the incidence of insider abuse?

Pursuant to the Garn-St Germain Depository Institutions Act of 1982, the OCC (together with the FDIC and the FRB) adopted new reporting and disclosure requirements for insider transactions. As recommended by the FFIEC, the agencies now require banks to report quarterly, in their call reports, the total amount of extensions of credit by the reporting bank to all of its executive officers and principal shareholders and their related interests, as well as the number of these persons having significant amounts of such loans outstanding.

In addition, the agencies adopted a new regulation which requires banks to disclose, upon request, the names of its executive officers, principal shareholders and their related interests who have substantial borrowings from the bank or its correspondent banks. *See* 48 *Federal Register* 57262 (December 21, 1983). (The regulation does not affect the existing statutory requirement which requires insiders also to report to the board of their bank any loans from the correspondents of that bank.) The new reporting and disclosure requirements provide more timely and meaningful information to the supervisory agencies and to the public, and thus help to curb insider abuse.

[illegible] 4), the OCC [illegible] and FRB adopted a new regulation [illegible] lending. The regulation sets the [illegible] for a residential mortgage [illegible] that a national bank can make to its executive officers. The regulation also sets an aggregate dollar limitation above which loans to insiders must be approved in advance by the bank's board of directors. (See 48 *Federal Register* 44062 (September 27, 1983).) The OCC does not believe that the recent regulatory changes raising banks' legal lending limits will have any substantive effect on the incidence of insider abuse. The changes reduced the burden on the banking industry by removing rigid statutory ceilings which were unrealistic in terms of current economic conditions. These changes have in no way affected the regulator's ability to monitor and supervise insider activities. Provisions that limit loans to insiders and prohibit preferential treatment of insiders are preserved to prevent insider abuse. Through the examination process, the OCC will continue to review all significant transactions with insiders for compliance with laws and regulations, bank policies and sound banking practice.

II. The Detection of Insider Abuse by the OCC

a. The OCC was the primary federal regulator in 15 of the 75 banks that failed during the 18-month period of our study. The FBI has conducted criminal investigations involving insider abuse in 14 of these 15 banks. The OCC, however, made criminal referrals prior to the failure of the banks in only 4 of the 14 cases. How do you explain such a low number of referrals prior to failure?

The statistic cited in this question is potentially misleading for several reasons. First, either the OCC or the bank made criminal referrals in ten out of the fourteen mentioned cases prior to the bank's failure. Second, in two cases, the banks failed as a result of information uncovered during or just prior to the last examination of the bank. Third, once the banks failed and there was an exhaustive review of the files and records, additional referrals were made or the FBI was asked to review additional transactions. This type of review, except in extraordinary situations, would not have been undertaken during regular examinations of the banks. Fourth, it is obvious, as a general matter, that potential violations of criminal law are more readily uncovered and documented after a bank fails [illegible] records of the bank.

b. [illegible] criminal misconduct by bank officials? What can be done to assist examiners in detecting insider abuse before it's too late?

While we believe that the vast majority of bankers conduct the business of banking with the greatest degree of integrity, we believe that, with the number of financial institutions (over 14,000 commercial banks alone), the number of banking offices (over 55,000), the number of bank employees, and the number of financial transactions occurring daily, there are always going to be some areas of abuse. Because of the fact that the OCC has continually been required to reduce the size of its examining staff and the fact that OCC's examiners are physically present in these banks for only a limited period of time and review only a limited number of transactions, they must rely in part on information generated by bank personnel as a basis for further review and analysis. The effectiveness of the examination is thus partially dependent upon the accuracy and thoroughness of information provided. Because of the possibility of insider transactions not being disclosed, examiners are trained to remain especially alert for any direct or indirect relationship with insiders.

To assist our examiners in detecting insider abuse, we constantly stress the red flags that they should be cautious of. We believe it would be helpful to our examiners if the law enforcement community brought to our attention, early on, potential red flags that they uncover during their investigations. This would enable us to concentrate our resources on potential problems perhaps in their embryonic stage.

c. Of the four federal banking agencies, the OCC is the only one with a formal training program on white-collar crime.

1. Why does the OCC think there is a need for such a course? What has been your experience with the course and what has been the reaction of the participants?

National bank examiners are trained and qualified to examine the condition and operation of banks, the ability of management, asset quality, capital, earnings and banking policies and practices for safety and soundness and compliance with banking laws and regulations.

Examiners are not, however, trained as criminal investigators. The White Collar Crime Seminar, itself, is not intended or designed to create skilled criminal investigators such as the FBI. However, in order for the OCC to effectively assist other law enforcement agencies in the detection of bank fraud, national bank

examiners must know "what to look for" i.e. must be able to recognize suspicious situations and transactions that may form the basis of a criminal referral. A heightened awareness of common "red flags" indicative of potential bank fraud enables an examiner to determine when further investigation is necessary of an otherwise normal transaction.

One of the purposes of the White Collar Crime Seminar is to provide examiners with this heightened sense of awareness of potential fraud situations, particularly those experienced examiners who are likely to be in charge of an examination. Another purpose of the seminar is to provide the bank examiner with a basic knowledge of the criminal justice system, the interaction between the U.S. Attorney's Offices and the FBI, the differences between a criminal case and an administrative action and the role an examiner might be expected to play as either a fact or an expert witness or as an agent of the grand jury.

A third purpose of the White Collar Crime Seminar is to ensure that an examiner is mindful of guidelines to be followed for the proper identification and preservation of potential evidence. The successful prosecution of a bank fraud by a U.S. Attorney's Office may depend on the manner in which an examiner initially investigated a suspicious transaction and whether all necessary documents were obtained from bank files to explain and to show how and where a fraud occurred. The examiners are also reminded of the Right to Financial Privacy Act restrictions on the transfer of information to "non-supervisory" agencies.

The seminar additionally provides an opportunity for examiners to learn about specific areas of fraud, such as computer fraud and securities fraud, to see the purpose and use of certain forms and procedures, such as the Bank Secrecy Act (31 CFR 103) currency transaction reports, by other agencies, and to discuss their experiences.

Response to the course has been extremely good. The seminar is so popular that it has a 2-year waiting list among OCC examiners, and, at the request of the Fed, several positions are reserved in each seminar for Fed examiners. In addition to these reserved positions, the OCC is assisting the Fed in the development of a similar course for that agency. The OCC has provided the Fed with course materials and has agreed to provide instructors for several topics in the Fed's initial course, scheduled for late June.

The OCC has also presented an abbreviated course for state bank examiners in Georgia at the request of the Georgia State Banking Commission. The OCC previously assisted the Federal Law Enforcement Training Center at Glynco, Georgia, in offering a white collar training course and currently is assisting in the development of a bank fraud course for FBI agents at the FBI Academy in Quantico, Virginia. Instructors from the OCC are scheduled to participate in a pilot course in August.

In response to the lengthy waiting list for the week-long seminar and to requests from OCC District Offices for supplemental "short courses" in the White Collar Crime areas, the OCC is videotaping portions of the week-long seminar and is developing smaller packaged courses that can be presented in the District Offices—either as an introductory overview or to focus on a particular subject such as offshore shell banks or computer fraud.

2. Describe generally the course, including the material covered, the qualifications of the instructors, the length of the course, and the process used to select participants.

The White Collar Crime Seminar is a week-long course designed for 30–35 participants, the majority of whom are experienced examiners. The seminar is offered approximately four times a year and is continually modified and updated based upon changes in examination procedures, the changing banking environment, OCC experience in various fraud situations and course evaluations by participants. Attached are the agendas for the last four courses and for the upcoming course scheduled for May 14–18. In general, each course includes the topics of uncovering fraud and what to do when fraud is suspected, preservation of potential evidence, investigative powers available to the OCC (subpoena power, special call reports, depositions and orders of investigation), elements of criminal statutes most commonly cited in bank fraud cases (i.e., an explanation of what it takes to prove a crime), an overview of the criminal justice system, making criminal referrals, restrictions on disclosure of financial information, discussions of actual bank fraud cases by the examiners and attorneys who were involved in them, and selected topics such as money laundering/Bank Secrecy Act, offshore shell bank fraud, computer fraud, and securities fraud.

The instructors for the course include attorneys in the Enforcement and Compliance Division, OCC examiners who have been involved in fraud examinations previously (from the Special Projects Divison in Washington and from various Districts), a senior national bank examiner who has testified in over 30 bank fraud cases as an expert witness and who is an expert in the area of offshore shell bank fraud and, finally, guest speakers from the Department of Justice, U.S. Attorneys' Offices, the FBI, the Federal Law Enforcement

[illegible] Thomas [illegible] from Con[illegible] [illegible] from Florida [illegible] legislation.

2. Provide the approximate number of examiners from each of the other federal banking agencies and [illegible] banking agencies who have taken part in [illegible] program since 1980.

Since its inception in 1978, we have had well over 400 national bank examiners attend the OCC's White Collar Crime Seminar. Other attendees include examiners from foreign countries and attorneys both inside the OCC and from the law enforcement community. Approximately 32 non-OCC examiners have attended this course. We have also given abbreviated versions of this course to numerous law enforcement and regulatory personnel throughout the country. One abbreviated course was given to all of the state bank examiners of Georgia.

We have also received additional requests concerning this course from other Federal banking agencies and several state banking agencies.

We have likewise worked with the Federal Law Enforcement Training Center in Glynco, Georgia, to develop and staff its white collar training course. Finally, we are planning to give additional 1–2 day presentations of this course this summer to the FBI at the FBI Academy in Quantico.

d. In 1982, the Federal Financial Institutions Examination Council agreed to establish an interagency training course on white-collar crime "because the council members thought this was a growing problem in the United States." (Minutes, FFIEC Meeting, March 4, 1982.)

1. At that meeting, did the OCC support the establishment of a comprehensive training course? Please explain. Are any efforts currently being made by the FFIEC in this area?

The OCC actively supported the effort to establish an interagency White Collar Crime Seminar modeled primarily after the OCC's already established course. Even though the OCC had its own course, it believed that the content of the course was important enough to be made uniformly available on an interagency basis.

[illegible] FFIEC, the [illegible] course on white collar [illegible] the FDIC [illegible] of a lack of [illegible] examinations, and differences in agency perceptions of their roles in examining for white collar crime. Explain the failure of this course and describe these differences in agency perceptions.

See the attached memorandum from Quinton Thompson (FDIC) to the FFIEC, dated February 26, 1982, which summarizes the banking agencies' positions on the establishment of an interagency course on "white collar crime" and which explains why the effort to establish such a course was not successful.

e. Many bankers believe that one of the greatest obstacles to limiting insider abuse is that dishonest bank officials who are forced out by bank management or by informal pressure from the banking agencies are free to move from one financial institution to another. Unless there is some direct civil action against such officials (particularly orders of prohibition) and/or public disclosure of their misconduct, how can banks or the banking agencies keep track of such individuals or prevent their reemployment in the banking industry?

At first blush, it might appear that the answer to preventing bank officials suspected of wrongdoing from moving to other institutions would be to establish a comprehensive Government intelligence file on them and to disseminate such information to whoever requested it. However, this approach could do incalculable harm to otherwise innocent persons who may simply have been forced out of a bank due to something as minimal as a personality conflict, and against whom no charges have ever been brought, let alone proven.

The OCC believes it is critical that both the banking agencies and the banking industry itself be informed of the names of bank employees, officers, directors, and principal shareholders who engage in unsafe or unsound banking practices or violations of law and thereby threaten the integrity of the banking system. As a result of the need to communicate such information, the OCC has instituted a program through which it can notify the other regulatory agencies of removal actions and consent removal agreements entered into by the OCC. In addition, the OCC has included information in its Enforcement and Compliance Information System (ECIS) to track individuals against whom we have made criminal referrals or who have been convicted of crimes.

The OCC utilizes these systems in order to provide information, where appropriate, to interested bankers and regulatory agencies, as well as for its own supervisory purposes. For example, while the OCC is not in the position to be a rating service for bank officials, we

certainly would not stand by and allow an individual to move from one bank to another if he were subject to a removal action or had been convicted of a crime. We likewise would look very closely at an individual if we were aware that a criminal referral had been made on him while in another financial institution. We would determine whether we had a basis to commence a removal action and, if so, we would take appropriate action to prevent the individual from becoming employed by a new institution. Additionally, in cases where the OCC has the power to affect employment (such as in cease and desist orders where we have reserved such authority and in change in bank control applications), we can utilize this information to veto persons of questionable background.

However, this applies to only a small percentage of bank hiring and, in the ordinary course, we do not have the opportunity to offer an opinion on prospective employees. Further, we do not believe that we should become an employment bureau, putting our imprimatur on individual candidates for employment. This would not only usurp the proper function of the board of directors and management of a bank, but it would also expose us to significant liabilities.

The fact that the Government should not act as an employment agency does not leave banks without the means to ascertain information about prospective employees, however. There is nothing to prevent a bank from doing a thorough background check of each candidate, including interviewing former employers. Many banks routinely ignore these fundamental checks when they hire even senior-level employees, and it is these failures in their hiring practices, rather than the failure of the bank regulatory agencies to maintain comprehensive files on all bank officers, which allow questionable bank officers to gain alternate employment. Therefore, the OCC believes that, absent an unwarranted intrusion into private rights of contract and employment, the Federal bank regulatory agencies cannot prevent the possibility that some bankers of questionable competence or ethics may be employed by unsuspecting institutions. However, whenever we become aware of information which justifies the use of our removal or other administrative authority, we do not hesitate to use it.

f. It was the intent of Congress to take preventive action against insider abuse through passage of the Change of Bank Control Act of 1978. (1) Please provide a review of your agency's experience with this Act, insofar as it relates to preventing dishonest individuals from acquiring control of banks. (2) Specifically, how many applications for change of control has the OCC denied for each year from 1980 to date? Provide a list of each application denied, the date, and the reasons for denial. (3) How many times has the OCC assessed money penalties or taken other remedial action for violations of the Act. Provide a list of each instance, the date, the nature of the violation and the action taken (including the amount of any penalties)

1. The Change in Bank Control Act of 1978 has provided the OCC with a method of controlling the takeover of national banks by undesirable persons. While we cannot quantify it, we believe that the Act in fact deters certain individuals from attempting to take over national banks. Likewise, we believe that it is effective in most cases. There are exceptions, however. Even though the character of an individual may be suspect, it is sometimes difficult to obtain sufficient information on an individual's background in order to have sufficient evidence to deny the application for change in control. The time constraints (60 days) and the lack of sufficient reason to extend the notice, sometimes make it necessary to approve the change in control notice even though the Office may be hesitant to do so.

2. Applications for Change in Bank Control Disapproved by OCC from 1980 through March 31, 1984

Date Disapproved	Reasons for Disapproval
8/1/80	Inability to service the loan required to purchase the stock, questioned integrity of the purchaser; prior unsatisfactory banking experience of the purchaser
3/7/80	Unsatisfactory prior banking record and disregard for banking laws and regulations
2/26/81	Inability to service debt, unsatisfactory prior banking record, anticompetitive effect of the proposal
6/8/81	Inability to finance the proposal or to support the establishment of a bank holding company
6/26/81	Prior unsatisfactory banking record of purchaser, misrepresentation of facts to OCC, violations of SEC laws and regulations
8/19/82 7/8/82	Failure to supply satisfactory financial information to enable OCC to evaluate ability to service debt to

	[illegible] future capital. (This [illegible] two different applications by the same individual.)
[illegible]	Inability to finance the acquisition of stock or to inject additional capital; lack of prior banking experience which was necessary in this case
12/21/81	Unsatisfactory banking record of three of the proposed purchasers
8/31/82	Failure to respond to request for financial information on two related companies; explanation of failure to submit complete tax return to IRS; explanation of Department of Agriculture fine
12/7/83	Lack of adequate experience to properly handle the bank's problems; conviction on felony and misdemeanor charges
1/6/84	Unsatisfactory prior banking record

3. The OCC has assessed civil money penalties against four individuals for violations of the Change of Bank Control Act of 1978. The assessments were issued recently and are being contested. The assessments occurred as a result of individuals' acquisition and maintenance of control of a national bank without the approval of the OCC as required by 12 USC 1817. The penalties are in amounts of $1,300,000, $595,000, $10,000, and $10,000.

g. We have heard complaints that the Justice Department often fails to notify the principal bank regulatory agency that the FBI is conducting a criminal investigation of insiders or officials of a particular bank. Do you find this to be true with OCC banks and if so, does it present a problem to your civil enforcement efforts?

In some cases, the OCC has not been informed of ongoing FBI investigations into the criminal activities of officers, directors, and principal shareholders of national banks. This lack of communication adversely affects the OCC's ability to effectively monitor and supervise the national banking system. The OCC recognizes [illegible] upon the Department of Justice [illegible] The OCC nevertheless believes that it is important that it remain informed of all law enforcement investigations into the activities at national banks.

There are several reasons that the OCC needs to remain informed of these investigations. First of all, such activities may affect the overall financial condition of the bank. If the OCC is informed of suspected criminal activities in a timely manner, the OCC can provide closer supervision in order to prevent any further abuse or deterioration. In addition, the criminal activity may form the basis of necessary administrative action against the bank officers, directors, principal shareholders or the bank itself. Further, early notification of potential indictments would give the OCC an opportunity to review the available facts and to begin considering, on a timely basis, the necessity of suspending the individuals, pursuant to 12 USC 1818(g). Finally, if the OCC is informed of a pending investigation, the OCC would be in a position to provide expert assistance to the FBI and the United States Attorneys' Offices within the constraints of the grand jury secrecy laws and the Right to Financial Privacy Act.

h. Fidelity bond claims are often an excellent indicator of criminal activity by bank employees. Would it improve your enforcement efforts if banks were required to notify the OCC promptly when claims involving bank officers, directors or insiders are filed and paid by insurance companies?

As we indicated in our response to your recent inquiry concerning Bank G, you should note that, pursuant to 12 CFR 7.5225, national banks are required to immediately file a written report with the OCC, the FBI, the U.S. Attorney's Office and their bonding companies with respect to potential violations of law. Consequently, to the extent that the filing of fidelity bond claims may be an indicator of insider abuse or criminal activity warranting administrative action, they would be duplicative of the reports the banks already file with this Office. It is also noted that major lawsuits and bonding claims are reviewed by our examiners during examinations.

III. The Investigation of Insider Abuse

a. (1) Based upon our review of material supplied to the subcommittee, the OCC has often been aware of

[illegible]

[illegible] which severely limit the ability of the Department of Justice to provide information to the banking community. Because of these limitations, there have been instances where, although [illegible] have been under investigation by the Department of Justice, the banking agencies have not been informed of the investigation [illegible]

insider abuse long before a bank fails, or in the case of problem banks, long before a criminal referral is made. When an examiner detects insider abuse, how does the agency determine whether a violation is simply a technical violation that can be handled informally, whether there should be a civil enforcement order issued, or whether a full-scale formal investigation is needed to determine the full extent of the abuse? (2) Specifically, in how many of the 20 OCC "problem" bank referrals made in 1980–81 did the agency conduct its own independent investigation of the insider abuse? (3) In how many of the 14 failed banks in which the OCC made a criminal referral prior to failure did the agency conduct such a formal investigation? Do you consider it to be the agency's responsibility to conduct a formal civil investigation of insider abuse, regardless of whether or not a criminal referral has been made?

1. The underlying premises of this question seem to be that banks fail only because of insider abuse; that all insider abuse is criminal; and that the OCC does not take appropriate action with respect to insider abuse or criminal activity. None of these propositions is true.

In response to your questions about specific banks, we have detailed what actions we have taken and when. We believe that our record as set forth in these responses supports the conclusion that we take timely and appropriate actions, especially in cases involving insider abuse or criminal activity. It should also be noted here that all apparent violations of criminal law, whether minor or substantial, are referred by the OCC or the bank to the U.S. Attorney's Office. The OCC has no discretion to handle even apparently minor violations on an "informal" basis.

OCC examiners in the field are required to review all aspects of a bank's operation in a limited time. Nevertheless, insider abuse receives a high priority and significant insider abuse can cause an examination to be expanded to accommodate a full investigation of the suspected activity. It is our experience that insider abuse is always fully investigated in the bank. This is usually enough to determine the extent of the abuse and to devise a supervisory response to it.

Since insider abuse can take on a myriad of forms, the examiner in the field, often in consultation with the District Office, must approach each instance on a case-by-case basis. Nevertheless, there are some rules-of-thumb which operate to provide generally uniform treatment. For example, if the abuse appears to have been inadvertent, there is no prior history of abuse, and management has shown itself to be trustworthy in the past, the Office will usually accept a promise of correction. Such correction [illegible] effected before the examiners leave the bank. In any such case, however, the violation will be [illegible] in the Report of Examination so that the entire board of directors is notified of the situation and the bank's response in correcting the violation will be carefully reviewed at the next examination.

If the abuse is more serious (*e.g.*, if the insider received some sort of preference or gain, or if the bank suffered a loss), more stringent action would be taken, usually in the form of formal administrative action. The specific administrative action, of course, is determined on a case-by-case basis, depending upon factors such as the gravity of the violation, the bank's history of violations, or lack thereof, management's cooperativeness, and whether correction was effected immediately.

Although the field examiners always conduct a full review of the suspect transactions at the bank, this is sometimes not enough to develop a full picture. When it is necessary, examiners are authorized to obtain relevant information from numerous other sources. We have found that expanded special examinations, in the main, provide a full picture without resort to more formal action.

If the examiner is unable to uncover the necessary information using these procedures, the OCC can and does institute its formal investigation procedure. This consists of authorizing a formal investigation pursuant to which examiners and attorneys issue subpoenas for documents and testimony and conduct a full-scale investigation. These procedures are extremely time-consuming and expensive. Typically, they involve substantial travel to interview witnesses and to conduct depositions. Thus, formal investigations are used only for the most serious or complicated cases. Of course, as with all the other investigatory tools of the Office, the determination of when it is necessary to conduct a formal investigation is a matter of judgment based upon the particular facts.

In sum, the OCC always conducts a full review of suspected insider abuse and affords a high priority to its elimination. While we do not always uncover such abuse, since determined efforts at concealment can be successful, it is inaccurate and misleading to infer from this that insider abuse is not being properly addressed.

2. In one of the problem bank cases, the OCC was involved in formal discovery proceedings for the purpose of uncovering specific information. In [illegible] every other problem bank case, the OCC [illegible] extended the ordinary examination [illegible]

[illegible] matters. As a [illegible] we stressed that the very [illegible] specialized procedures are usually sufficiently comprehensive to uncover and document the facts which provide the basis [illegible] for administrative actions. This is especially true where the examination procedures are expanded and the investigation is conducted by an examiner who has had training or experience in uncovering and documenting transactions involving banking fraud.

In one of the failed bank cases, the OCC conducted a formal investigation. Again, in almost every other failed bank case, the OCC conducted extended examinations or specialized examinations for the purpose of verifying particular facts relating to the insider transactions. In at least two cases, examiners were sent into other banks for this purpose.

The OCC considers it to be its responsibility to investigate, document and take action against any manner of insider abuse. Most matters involving insider abuse can be sufficiently documented by the OCC's examining staff during the course of a regularly scheduled or special examination of the bank. When it becomes necessary to conduct a more formal or extensive investigation, in particular when it is necessary to depose or subpoena documents from third parties, a formal investigation will be conducted. The determination to conduct such an investigation is made on a case-by-case basis and is not contingent on the existence or potential of a criminal referral. Rather, the decision is based on whether such an investigation is necessary to develop and document a potential administrative action.

b. (1) Explain the policies and procedures governing the routine exchange of intelligence information on insider abuse with other federal agencies, such as the Securities and Exchange Commission, the Internal Revenue Service, the U.S. Customs Service, the Drug Enforcement Administration, and with State banking agencies. (2) From which agencies or sources do you regularly receive information on insider abuse? (3) Do you view such exchanges as an important source of information, and if so, how could such exchanges be increased or improved?

1. The OCC has policies and procedures in effect to [illegible] information between the Federal [illegible] the FDIC [illegible] bank regulatory [illegible] actions. These [illegible] representatives of the [illegible] we are in the process of having similar arrangements with the FHLBB.) While we are limited by privacy constraints in providing intelligence to other agencies, whenever the OCC uncovers information indicating a potential violation of law that would come under the jurisdiction of another Federal agency, we notify them as we do in connection with criminal referrals to the Department of Justice.

2. While we rarely receive information on insider abuse from other agencies, we frequently receive information from banks or individuals concerning potentially fraudulent transactions. This information we share with other agencies and the law enforcement community to aid in the coordination of multi-jurisdictional matters. In addition, we routinely issue warnings to the banking community alerting it to potential fraudulent enterprises. These warnings are sent to the other banking regulatory agencies, the Department of Justice and the FBI.

3. We view all exchanges of information between agencies as important and believe that in some instances the frequency and quality of the exchanges could be improved. More important, we think that the flow of information could be improved if certain of the privacy constraints were eliminated. (See the discussion in Footnote 1 and the response to question IV. d. 6.)

c. Does the OCC have a central office whose function is similar to that of the Special Activities Section of the FDIC? If so, provide a review of the function, organization, staffing, and operations of that office, including a discussion of how the office gathers, updates, stores, utilizes, and exchanges information with other agencies.

At the OCC, the functions of the FDIC's Special Activities Section are the responsibility of several different divisions, specifically, the Special Projects Division, the Enforcement and Compliance Division, the Bank Organization and Structure Division, the Securities and Corporate Practices Division, and their District counterparts. These sections of the OCC have particular responsibilities within these areas and coordinate extensively with one another in matters of mutual interest or concern. Our principal contact with the law enforcement community remains in our Enforcement and Compliance Division in Washington which continuously communicates with law enforcement agencies in matters of mutual concern.

d. Pursuant to an interagency agreement, the Federal Reserve, the FDIC, and the Office of the Comptroller of the Currency all exchange advance information on the issuance of cease and desist orders and formal

agreements, in order that the other agencies can coordinate their efforts with the agency taking the enforcement action. Would the OCC support a similar exchange of advance information on civil money penalties, suspensions, removals, prohibitions, and criminal referrals?

Information on civil money penalties, suspensions, removals and prohibitions are already transmitted by the OCC to FDIC and to the Federal Reserve. The FDIC participates in the Washington Enforcement Review Committee (ERC) and is routinely provided ERC packages which contain relevant information on any of the preceding actions. The other agencies are not routinely advised of criminal referrals made by the OCC unless there are particular circumstances which make it appropriate.

In connection with its enforcement review process, the OCC provides both the Federal Reserve and the FDIC with summary form sheets (9060-04) which detail the problems and the recommended corrective action for all problem national banks. In addition, the Federal Reserve receives either a list of topics or a copy of the proposed administrative action for any bank which is a member of a holding company. Further, the FDIC is provided a weekly critical bank report on all potential failures which also details the proposed administrative actions for those banks.

IV. Criminal Referrals by the Banking Agencies

a. Assistant U.S. Attorneys contacted by the subcommittee have complained that criminal referrals made by the banking agencies often do not contain enough information for law enforcement officers to determine whether a case warrants the expenditure of large amounts of time and resources to prosecute. Please respond to such assertions about the quality of OCC referrals.

We are certain that if one searches long enough, one can find an Assistant United States Attorney or a former Assistant United States Attorney out of the 94 United States Attorneys' Offices to criticize the OCC's responsiveness to the law enforcement community and the quality of the OCC's referrals. Contrary to such statements, however, this Office historically has been considered by the law enforcement community as being one of the most effective and responsive agencies in addressing potential violations of law identified in financial institutions. We are continuously called upon by the law enforcement community to discuss how we can assist them. Recently, we made an extensive presentation to the Justice Department's Conference on Economic Crime Enforcement to discuss how we can help them and how they can help us. We do not believe that the criticism of our referrals as set forth in the above question has any basis in fact.

While the length and specificity of criminal referrals from the OCC varies according to the complexity of the case and the severity of the suspected violations, all OCC referrals are designed to contain enough information, within the constraints of the Right to Financial Privacy Act, to allow a United States Attorney's Office to determine whether further investigation is warranted.

Within the limits permitted by the Right to Financial Privacy Act, many referrals contain elaborate explanations of the circumstances, indicating the names of the individuals involved, the applicable account numbers and the dates of all relevant transactions and lists of supporting documentation. Other referrals contain narrative descriptions of the transactions, without the above mentioned detail, but with sufficient specificity to present the full story. In those cases for which the OCC believes that there is little prosecutorial merit, but which must be referred due to our lack of prosecutorial discretion, we will not ordinarily provide extensive detail. But even in those situations, we believe that our referrals are sufficient to allow the United States Attorney's Office to determine whether it wishes to pursue the matter.

Because of the restrictions of the Right to Financial Privacy Act, we do not include the actual supporting documentation or protected customer information in our referrals. To pursue an OCC criminal referral, the next step for the prosecutor is to obtain a grand jury subpoena and serve it upon the OCC. We then arrange for an examiner familiar with the case to meet with the FBI agent or the Assistant United States Attorney to review the case and to supply any needed documentation. Of course this process is lengthier and more cumbersome than the former method of referral, and it may be that the necessity to take this extra step is the cause of the prosecutors' complaints, rather than any failing in our referrals or any lack of cooperation on our part.

In response to a recent oral request by the staff of the subcommittee, with respect to the 15 failed banks and the 19 problem banks earlier identified, the OCC has provided complete copies of the criminal referrals (with the identifying information deleted) made on the closed cases. A review of those criminal referrals will bear out our belief that the OCC's referrals are carefully and thoroughly compiled. Further, we re-extend the invitation to the staff to review the OCC's criminal referrals on those cases which are still pending with-

[illegible] review will [illegible] [illegible] process.

[illegible] statement submitted to the subcommittee, the OCC [illegible] that as a matter of policy, it routinely [illegible] bank managers to notify federal and state law enforcement authorities of any misconduct that may constitute a criminal violation. Does this policy apply when the suspected criminal activity is being perpetrated by bank management? Why does the agency not routinely make referrals to the Justice Department of all significant insider abuse cases regardless of any action taken by bank management?

Pursuant to 12 CFR 7.5225, all national banks are required to notify this Office, the FBI, the U.S. Attorney and its bonding company whenever there is any known or suspected theft, embezzlement, check kiting operation, misappropriation or other defalcation involving bank personnel or bank funds. This requirement has been stressed to the national banks on various occasions. Attached to this material are Banking Circular 116 and Supplement 1 alerting the banks to their responsibilities under 12 CFR 7.5225 and, in light of the limits of the Right to Financial Privacy Act of 1978, directing them to continue to make referrals pursuant to 12 CFR 7.5225.

This regulation applies not only when the suspected criminal activity involves the lower echelons of the bank but also applies to bank management and directors. The OCC reviews these reports. If in fact we believe them to be inadequate, we will either direct the bank to submit additional information or will submit the information ourselves.

Contrary to the assertion in the question, the OCC does make comprehensive, detailed referrals of all significant insider abuse cases, in many instances whether or not a referral has been made by the bank.

c. Fully explain the reasons for substantial delays between the dates examinations discovered insider abuse and the dates that criminal referrals were made to the Justice Department in certain problem bank cases (see, for example OCC problem banks No. 1 (8 [illegible]), [illegible] and 4 ([illegible] 12 months), No. 15 (9 [illegible]).

[illegible] of the [illegible] request by the staff of the subcommittee, the OCC has provided detailed [illegible] and [illegible] questions [illegible] [illegible].

[illegible] the OCC [illegible] appropriate criminal referrals while at the same time taking the necessary administrative action to address and correct the problems within the bank.

Because of the sensitivity of these matters, the OCC does not, and should not, act precipitously. While delay may exist in some matters, we believe in general it is necessary to ensure a good, fair and thorough product. We are unaware of any delays that have prejudiced any cases and believe our thoroughness has in fact significantly contributed to many successes. It should also be noted that our lawyers and examiners spend an extraordinary amount of their time on additional special projects.

d. Provide a comprehensive discussion of your agency's experience with the Right to Financial Privacy Act of 1978.

The Right to Financial Privacy Act (RFPA)

Enacted on November 10, 1978, with an effective date of March 10, 1979, the Right to Financial Privacy Act, 12 USC 3401-21, gave customers of financial institutions a limited right of privacy in the records of their accounts. With certain exceptions, Federal officers and agencies were only permitted to obtain records (or information derived therefrom) through procedures that created a paper record of that release, gave the customer prior notice and an opportunity to seek judicial review, and required further written notice within fourteen days after any interagency transfer of the information.

The Federal financial supervisory agencies were exempted from these access procedures, 12 USC 3413(b), and, in a 1982 amendment, the five member agencies of the Federal Financial Institutions Examination Council were expressly authorized to exchange examination information on an unrestricted basis, *id.* Section 3412(d).

The RFPA did not, however, contain any express exception from the requirement that a customer be given post-transfer notice of each transfer of information relating to his or her financial records by a financial supervisory agency to a non-supervisory agency, *id.* Section 3412, and that requirement has been assumed to apply to such transfers notwithstanding the fact that the acquisition of the information is exempted from the Act by Section 3413(b).

OCC Interpretation of the Effect of the RFPA on Criminal Referrals

The OCC has always treated its relationship with the Department of Justice as special, because the Justice Department is charged with responsibility for

prosecution of the criminal laws relating to bank supervision. In effect, the Justice Department is an important partner in the execution of the bank supervisory mission of the OCC. Prior to the passage of the RFPA, OCC routinely made comprehensive written referrals, together with supporting documentation, to the Department of Justice when evidence of possible violations of criminal laws came to its attention. See Examining Circular 156 (July 14, 1977).

Upon being informed that the RFPA had been enacted, with general restrictions on interagency transfers of customer financial information, OCC began an extensive process of evaluation and consultation with the other bank supervisory agencies, the Department of Justice, other Federal agencies, and Congressional staff. When it appeared that no common agreement about the proper approach could be reached before the Act's March 10 effective date, OCC issued Administrative Bulletin 79-1 on March 8, 1979, terminating all criminal referrals relating to customer information.

After further discussions, OCC determined that it would be possible to make criminal referrals under two circumstances: either notice would be provided to the customer as required by Section 3412, or the referral would be made solely on the basis of information that was limited so as not to be identifiable as relating to the financial records of a customer, as permitted under Section 3413(a). Administrative Circular No. 115 was promulgated on May 16, 1979, authorizing this limited form of referral.

Considerable controversy continued, however. On July 17, 1979, then Deputy Attorney General Benjamin R. Civiletti forwarded to OCC an opinion of the Office of Legal Counsel and a memorandum from the Criminal Division of the Department of Justice. Those documents contended that the bank supervisory agencies had implied authority under the RFPA to make criminal referrals without providing post-transfer notice to the customer, at least where the referral was limited to certain identifying information that did not include customer account information and the possible crime involved was one related to bank supervision. Subsequently, he forwarded an opinion by the General Counsel of the Office of Personnel Management indicating that, to the extent that OPM was the responsible agency, it would be inappropriate to discipline agency officials if they made referrals pursuant to the Department of Justice advice.

Acting on this advice and further discussions, OCC issued new procedures on February 27, 1980, adding this method for making referrals to the Department of Justice to the two previously promulgated (Policies and Procedures Manual—6000-2). The effect was to permit the inclusion of a few more details in a criminal referral than Section 3413(a) had been construed to permit, while avoiding the post-transfer notice requirements of Section 3412. Substantial criticism was promptly leveled at our following the opinions of the Justice Department and OPM.

- In February of 1980 five members of the House of Representatives who had been involved in passing the RFPA wrote the FDIC to dispute the Department of Justice interpretation.
- Shortly thereafter, GAO issued a draft report disagreeing with the Justice view.
- On May 9, 1980, fifteen members of the House of Representatives wrote the OCC advocating abandonment of that approach.

While some financial supervisory agencies chose to follow the Congressional view, OCC did not and, instead, adhered to the Department of Justice position. OCC was bolstered in that view by a July 3, 1980, letter from then-Deputy Attorney General Charles Renfrew that refuted the May Congressional letter point-by-point.

Efforts during the summer of 1980 by the Federal Financial Institutions Examination Council to develop a unified position among the financial supervisory agencies were unsuccessful, and to our knowledge the division of opinion continues to this time.

OCC's Experience With Criminal Referrals Under the RFPA

Subsequent to the passage of the RFPA, the Department of Justice has consistently maintained that the prosecution of bank-related crimes is uniquely vulnerable to frustration as a result of premature disclosure of criminal investigations. Not only can evidence disappear and witnesses fail to come forward, but defenses can be manufactured through the generation of new, fraudulent evidence. Consequently, the Department of Justice prefers that OCC-referrals be accomplished through techniques that do not trigger the post-transfer notice provisions of the Act. Applications for judicial delay of notice are not realistic solutions to this problem, since it is only under the most fortuitous circumstances that either OCC or the Department of Justice may stumble on evidence revealing not only that an individual is a criminal suspect but also that he or she may flee or illegally tamper with evidence.

In most instances, therefore, OCC has made its criminal referrals through the use of the section 3413 exception or by use of the implied exception advocated by the Department of Justice. It is, of course, impossible to say with certainty how seriously the necessity

that would [illegible] with regard to the enforcement of the criminal laws relating to banking. As the Committee now well knows, the Department of Justice prosecutes only a small minority of the cases referred by the banking supervisory agencies. Whether that number would be significantly larger, or whether substantially different cases would be prosecuted, if the flow of information between OCC and the Department of Justice were not so severely limited at the point of referral, is something that—in large part as a result of the Right to Financial Privacy Act itself—cannot be directly determined.

With respect to the issue of the number of prosecutions, we must defer to the Department of Justice because we have no information concerning the competing workload priorities Federal prosecutors face. On the other hand, with respect to determining which OCC referrals to bring, we have firmer views. While we acknowledge that the factors we consider significant may not always coincide precisely with those taken into account by the Department of Justice, there are cases among those that the Committee has selected to examine that we feel should be pursued, and perhaps pursued with higher priority and more resources than the cases that various U.S. Attorneys have prosecuted. For specific examples, see the response to Question V.b.

That is not to say that we would make judgments different than the Department of Justice if we were in its position. Inevitably, OCC has expertise in bank regulation that the Department of Justice lacks. In addition, at the crucial time when judgments must be made about whether to commit criminal investigatory resources to a case, OCC has substantially better access to the relevant facts.

For example, it is difficult for the Department of Justice to assess the strengths and weaknesses of a potential bank fraud case relative to the significant commitment of time and resources required to bring such a case to trial unless it is able to evaluate the nuances related to jury appeal and culpability. Such factors can only be appreciated if specific amounts of money are known, if the precise time intervals between various actions can be analyzed, and if details about relationships between persons, organizations, and accounts maintained by or for them can be examined in context.

Armed with their practical expertise and factual information that the Department of Justice initially lacks, it is natural that we would have more confidence in our own judgments about referrals.

Question [illegible] by the Subcommittee have stated that the OCC has invoked the Act to prevent OCC examiners from meeting informally on a preliminary basis with law enforcement officers, despite the exception provided in 12 USC 3413(a), and that the OCC has generally required a grand jury subpoena to release any information derived from bank examinations or from an institution's financial records. Please respond to these assertions. What steps, if any, is the OCC prepared to take to improve informal contacts between its personnel and law enforcement agencies?

The RFPA must bear the primary responsibility for the fact that the Department of Justice is initially deprived of both more detailed customer information, see the response to Question IV.a. above, and the benefit of OCC's bank regulatory expertise, until and unless it follows up the OCC referral with a grand jury subpoena.

Obviously, an experienced bank examiner can guide a prosecutor through the intricacies and implications of a complicated set of financial transactions only if it is possible to discuss that particular set of facts. Yet, given the scope of the RFPA, even information that is merely derived from customer records is protected. OCC is compelled, in the face of possible personal penalties imposed by the Act, to limit such assistance to bank examiners who know nothing about the facts of the actual criminal case at issue until an appropriate grand jury subpoena is issued. This sort of preliminary assistance is so limited, and susceptible of so many misinterpretations, that it may well impair the quality of the information on which the Department of Justice must make its threshold resource commitment decisions.

Section 3413(a) permits the transfer of information in a form from which protected customer information cannot be derived. As explained in the preceding answer, OCC is currently providing all of the assistance that it believes that Section 3413(a) permits. OCC examiners have regularly been made available for informal and "preliminary" meetings with law enforcement officers. We believe that it is the fact that OCC generally feels compelled by the Act to select examiners who lack knowledge of the particular customer information associated with individual criminal referrals that frustrates prosecutors. While OCC agrees that making decisions without such information is a deficient procedure, we adhere to our view that under the RFPA the grand jury subpoena is now the only device available that permits the transfer of information that can be traced to customer records without giving potentially damaging notice to the target of the referral.

For specific proposals to change the RFPA to permit the OCC to provide the type of expert assistance that the Department of Justice has indicated that it needs, see our response to Question IV.d.6.

2. To your knowledge, has the Act hindered any specific civil or criminal law enforcement investigations and/or prosecutions of insider abuse? If so, please give specific examples.

The response to this question hinges on one's definition of the term "hindered". In light of your question IV.d.1. even being asked, it is apparent that the Right to Financial Privacy Act has caused unnecessary problems. In one sense, the Right to Financial Privacy Act has hindered every criminal referral that has occurred since the Act became effective. This is so because the Act's principal effect on the criminal referral process has been to degrade the ability of the Department of Justice to make informed decisions about whether to initiate the criminal investigation.

The net result is that the initial Department of Justice decision whether to commit investigative resources to a referred case is still made in many instances based on less information and expertise than would be the case in the absence of the RFPA. It is not clear that this anomalous situation benefits the public or faithfully carries out the broad intentions of Congress when it passed the Act. It is believed that the RFPA has imposed that cost without perceivable benefit to customers.

If the term "hindered" is instead interpreted as applying only to those instances in which the RFPA prevents the successful completion of a criminal case, there are commonsense reasons we cannot cite other than isolated examples of problems. The chief reason is that the RFPA imposes its primary restriction on a criminal referral by limiting the information communicated in the initial referral and raising the likelihood that the Department of Justice will decide not to pursue the case. If the Justice Department overcomes that obstacle and initiates an investigation, the RFPA will generally become irrelevant because the case will be developed through the use of a grand jury.

Consequently, the only cases that are likely to be fatally "hindered" are those that the Justice Department fails to initiate a full investigation. Since the Justice Department does not know all that OCC knows in such cases, and since OCC does not receive detailed information on declinations from the Department of Justice, we have no way of knowing how many declinations have resulted from the inhibiting effects of the RFPA.

3. Has the Act in any way had a "chilling effect" on banks' willingness to report suspected insider abuse? If so, give specific examples.

The OCC has no direct evidence of any instance in which a bank refrained from reporting suspected insider abuse because of the RFPA. That lack of evidence is not terribly meaningful, however, because the OCC has no means by which it can fathom the mental processes of bank management.

In the absence of direct evidence, however, it may not be inappropriate to point at the indirect evidence. First, OCC has found that letters it receives from bank management often reflect ignorance and confusion about the rules governing criminal referrals. This confusion sometimes reflects fears that disclosure may have adverse consequences for the bank. Second, the RFPA raised the potential cost to banks of reporting wrongdoing, including insider abuse, by prohibiting reporting to Federal officials except in compliance with a detailed set of legal standards and procedures. Note the guidance and limitations given by the Justice Department on banks making referrals. (See attachment to question IV.d. *supra*.)

The Act did not simultaneously raise the potential cost of failing to report such wrongdoing. Prudent bank legal counsel cannot be expected to recommend that a bank incur additional financial risk unnecessarily, and the consequences for the reporting of arguable cases of insider abuse are likely to be precisely what human experience teaches.

The General Accounting Office was similarly diverted by a quest for specific, concrete examples of problems when it prepared its report on the first six months' experience with the RFPA, entitled "Federal Agencies' Initial Problems with the Right to Financial Privacy Act of 1978", dated May 29, 1980. In the OCC's comments on the shortcomings in the draft of that report (reprinted as Appendix III to the final) we expressed our disagreement and emphasized that the problems with the Act are nonetheless real.

We reiterate that point after 5 years experience with the Act. The inherent impossibility of proving that the banks may be refraining from reporting suspicious events and problematic circumstances should not justify failing to acknowledge and grapple with the fact that the natural and probable consequence of the Act's prohibitions is to produce precisely that result.

4. How many times, for each year 1980 through 1983, has the OCC had to provide notice to customers in connections with requests for customer records from other agencies? Include both the total number [illegible]

[illegible] provides [illegible] of investigations [illegible]

[illegible] in connection with the [illegible] reporting requirements [illegible] the number of times that notice was given [illegible] section 3412 without distinguishing the number of customers involved and the number of investigations involved. Those figures are: 1979, 2 [illegible] 1982, 2; 1983, 4

[illegible] How many of the criminal referrals made by OCC in the subcommittee's surveys of failed and problem banks resulted in customer notices under the Act?

The OCC sent a total of eighteen customer notifications in three of the failed and problem banks in the subcommittee's survey.

6. What specific proposals for changes in the Act would you propose, if any, to facilitate prosecutions while still retaining legitimate rights of privacy?

The RFPA needs to be amended to take account of the special relationship that exists between a bank supervisory agency such as the OCC and the Department of Justice, at least when the latter is engaged in prosecuting criminal laws that relate to the supervision of banks. In that area, the distinction between civil and criminal laws is only related to the form of the sanction, and the involvement of two separate agencies is a distinction without meaning to the purposes of the Right to Financial Privacy Act.

Given this unified purpose and program, it is inappropriate to provide for any conditions or limitations on criminal referrals by the OCC to the Department of Justice. Practically speaking, customer financial information is not being put to any different use by the Department of Justice than it was by the OCC, and it is as appropriate to exempt Justice Department use of this information to pursue violations of bank criminal statutes as it is to exempt OCC use for bank supervisory statutes.

Moreover, the uniform willingness of the Department of Justice to make its initial decision on OCC referrals without customer financial information rather than risk [illegible] to a prosecution that may result from [illegible] customer notice [illegible] strong evidence [illegible] effect of the RFPA in this area [illegible]

[illegible]

the section 3412 notice requirements of the Act. We would be happy to assist the Subcommittee in drafting such an exemption.

We believe that our view of the need for such a change in the Right to Financial Privacy Act is shared by the Department of Justice. In June of 1983 Assistant Attorney General Robert A. McConnell submitted draft legislative language to the Subcommittee on Consumer Affairs of the Senate Committee on Banking, Housing and Urban Affairs, in connection with hearings on problems with credit card fraud. Because of the focus of that subcommittee's concerns, the RFPA amendment submitted covered only referrals in which either a financial institution or its supervisory agency was believed to have suffered financial harm as a result of the crime. We would strongly support that proposal, but feel that it should be broadened to cover referral of any crime that relates to bank supervision generally, without regard to the question of direct financial loss.

A final resolution to the problems identified with the RFPA would be to permit the free exchange of information between agencies if the information was obtained pursuant to an exception to the RFPA and could assist the receiving agency in its efforts to enforce the substantive laws coming within the jurisdiction of that agency.

V. Prosecution of Insider Abuse by the Justice Department

a. Our survey suggests a significant difference in the rates of prosecution of criminal referrals involving failed banks and ones involving "problem" banks. Out of 14 FBI investigations in failed national banks, only one resulted in a declination by the Justice Department (the others were prosecuted or are still pending). On the other hand, out of 20 referrals made by the OCC during the 1980–81 in problem banks, 9 have been declined and 7 have been pending for 2 to 3 years without indictments. How do you explain the difference in the prosecution rates between open and failed banks?

The primary reason why the prosecution rate for failed banks is higher than that for open banks is that the criminal referrals made in failed bank situations more often than not pertain to violations of criminal law involving large losses which, in some instances, contributed to the failure of the bank. Likewise, in a failed bank situation, all of the transactions which have occurred in the bank can be placed under a microscope and illegal and indirect connections and ties can be more easily identified. In contrast, with respect to criminal referrals made in open bank situations, the

potential violations of criminal law have obviously not been so severe as to cause the failure of the bank and frequently involve relatively minor matters which the OCC or the bank has been required to refer to the Department of Justice.

b. Of the 16 declined or pending cases referred to above, are there any which the OCC thinks were particularly significant and prosecutable cases which should have been vigorously prosecuted but which were not? If so, provide a complete description of the charges, the identifying number of the referral, the results of any civil investigations conducted by the OCC, the reasons given by the Justice Department for declination, and why the OCC thinks the case should have been prosecuted.

The OCC believes that there have been several particularly significant and prosecutable cases which we have referred to the Department of Justice. The referrals in these cases have been extremely thorough and detailed and have often included lengthy analysis of the applicable law for the convenience of the prosecuting attorney. (See, for example, the criminal referrals on Bank 6 and Bank B.) While the Department of Justice has prosecuted a number of these cases (such as Bank 15, Bank 18, Bank A, Bank D, and Bank G), there are some which are pending or have been declined. Specifically, we would like to mention the criminal referrals on Bank 2, Bank 8, Bank B, Bank C, and Bank E. The referral on Bank 1 was declined, but the other four cases are still pending and, with the possible exception of Bank C, are being actively pursued by the appropriate United States Attorney's Office.

Consequently, we would like to detail the cases pertaining to Bank 1 and Bank C:

Synopsis of Bank 1

Description of charges: possible violations of 18 USC 215, 656, 1001 and 1005 by the former president, chief executive officer and director, the former senior trust officer and chairman of the board, and the former executive vice president and director. These possible violations involved a pattern or practice of misleading statements or material omissions in connection with board presentations made and bank records prepared by these individuals. As a result of this fraudulent conduct, the board of directors approved and the bank extended numerous loans in violation of 12 USC 84. The bank ultimately incurred significant loss in connection with many of these loans.

Results of OCC investigation: bank was served with a Notice of Charges and a Temporary Order to Cease and Desist; bank consented to a permanent Order to Cease and Desist, and civil money penalties were assessed.

The Temporary Order to Cease and Desist prevented the bank from making further extensions of credit to any borrower whose loans were cited in violation of 12 USC 84, required the bank to take steps to correct these violations, prohibited the bank from paying or declaring dividends except in conformity with 12 USC 56 and 60, and with prior written approval of the Regional Administrator; required the establishment of an overdraft policy as well as an analysis of the bank's Allowance for Possible Loan Losses, and prevented the bank from extending additional credit without necessary credit information and collateral documentation.

While under the Temporary Order to Cease and Desist, the Board terminated the employment of three senior executive officers and consented to the issuance of a final Cease and Desist Order. Pursuant to the Order, the board was required to take immediate action towards correction of the 12 USC 84 violations and prevention of future violations; make full written disclosure to each shareholder of the bank of all violations of 12 USC 84 which resulted in loss to the bank including: amount of loss, underlying transactions that constituted the violations, and explanation of potential director liability under 12 USC 93b and common law for damages that result from the violations; conduct a written assessment of management, including a cost/benefit analysis of less costly alternatives in management structure and personnel; obtain a new chief executive officer; adopt written policies and procedures to control overdrafts; strengthen collection efforts; develop a description of the authority and duties of a designated consumer compliance officer; develop and implement a capital plan designed to cause an injection of at least $1,300,000 in equity capital; and refrain from declaring or paying dividends.

The OCC made a criminal referral dated May 5, 1981.

Reasons for Department of Justice decline: U.S. Attorney did not feel that extensive investigation revealed any prosecutable violations.

Why it should have been prosecuted: The fraudulent conduct of the three individuals involved resulted in a substantial financial loss to the bank. The criminal referral from the OCC detailed violations of law which appeared clear and concise.

Synopsis of Bank C

Two [illegible] to the United States Attorney [illegible] May 18, 1982 and the second on November 4, 1982. The first [illegible] violations of 18 USC 371, 656, 1001, 1005 and 1014 and involved the following transactions.

Transaction 1 The bank's principal shareholder and executive officer caused the bank to falsify a repair bill. The amount of the bill was increased by at least $15,000. In addition, through the tracing of the proceeds, it appeared that when the bank paid the total amount of the repair bill ($36,117.54), the proceeds were deposited into the bank's principal shareholder/executive officer's account. Although the details of this transaction would further illuminate the egregious conduct of this principal shareholder/executive officer, in summary, these actions may constitute: 1) conspiracy to commit an offense against or to defraud United States, 18 USC 371, 2) misapplication of bank funds, 18 USC 656, 3) false statements, 18 USC 1001, and 4) false bank entries, 18 USC 1005.

Transaction 2 The bank's principal shareholder/executive officer caused the bank to make a $250,000 loan to an individual. The bank's principal shareholder/executive officer received $225,000 of this loan. These actions may constitute: 1) conspiracy to commit an offense against or to defraud United States, 18 USC 371, 2) misapplication of bank funds, 18 USC 656, 3) false statements, 18 USC 1001, 4) false bank entries, 18 USC 1005, and 5) the making of false statements to acquire a loan, 18 USC 1014.

Transaction 3 The bank made a $75,000 loan to the principal shareholder/executive officer's secretary. The following day, the secretary deposited $75,000 into an account controlled by the principal shareholder/executive officer. These actions may constitute the same violations as cited in Transaction 2 above.

Transaction 4 The bank made a $240,000 loan to an individual. The bank's principal shareholder/executive officer recieved $97,000 of the proceeds of this loan. These actions may constitute the same violations as cited in Transaction 2 above.

Transaction 5 The bank's president, on two occasions, [illegible] benefited from proceeds of loans which [illegible] for purposes not related to the president [illegible] the bank's president [illegible] secured by a second [illegible] property [illegible] the president had ap[illegible] property at $[illegible]. On the day follow[illegible] the president purchased the same property for $162,000. These actions may constitute the same violations as cited in Transaction 2 above.

The second referral cited violations of 18 USC 1001 and 215 and involved the following transactions.

Transaction 1 The bank's president may have knowingly signed two false loan credit reports in violation of 18 USC 1001 and 1005.

Transaction 2 The bank's majority shareholder/executive officer took a 50 percent stock ownership position in an individual's business when he arranged a line of credit at the bank for the individual. These actions may constitute a violation of 18 USC 215 in that the majority shareholder/executive officer accepted the interest in the business in return for arranging the loan.

In conclusion, as the May 18, 1982 criminal referral states, "[b]ased on our experience, this is one of the most egregious cases of insider abuse in the misappropriation of bank funds and the attempted deception of bank examiners."

c. Has the OCC made any efforts, in any of these declined or pending problem bank referrals, to encourage the Justice Department to prosecute? If so, please describe fully such actions and the responses of the Justice Department.

The OCC encourages the Department of Justice to prosecute all significant banking fraud cases. We encourage prosecution by submitting as detailed and thorough criminal referrals as practicable and lawful under the Right to Financial Privacy Act. We also routinely provided expert assistance to the United States Attorneys' Offices in reviewing the case and in testifying as expert witnesses at the actual trial. One senior examiner in particular has testified as an expert witness or has otherwise assisted in over 45 criminal trials.

In addition, the OCC is in regular contact with the United States Attorneys' Offices inquiring as to the status of the cases or providing additional information or documentation.

d. As noted earlier, the OCC does not presently have the ability to monitor the criminal referrals it makes to the Justice Department. What steps is the agency presently prepared to take to improve its tracking system?

As set forth in our response to the question in I. b., the OCC's Enforcement and Compliance Information Sys-

tem (ECIS) has become fully operational. This computerized system will enable us to better monitor all criminal referrals the OCC makes to the Department of Justice.

e. (1) For years 1982 and 1983, how many examiners has the OCC detailed, in excess of 30 days, to the Justice Department to assist in the investigation and preparation of insider abuse cases? How many separate cases or investigations were involved? (2) Has this proven to be a successful means of assisting law enforcement efforts?

The OCC, on all significant cases, proffers the assistance of senior national bank examiners to the United States Attorneys' Offices. In the past, these examiners have become agents of the grand jury, have testified as expert witnesses or have otherwise assisted in explaining or analyzing complicated white-collar crime cases to the United States Attorneys' Offices. As detailed above, one senior OCC bank examiner has assisted or testified as an expert in over 45 criminal trials. In addition, our records indicate that at least four national bank examiners have been detailed to United States Attorneys' Offices in excess of thirty days to assist in the investigation or preparation of at least five insider cases. In at least two other major cases, examiners have been detailed to the United States Attorneys' Offices on an "as-needed" basis during the course of ongoing, extensive investigations. Similarly, attorneys from our Office are constantly working with the law enforcement community with regard to bank fraud cases. Further, it should be noted that innumerable examiner and attorney days have been spent during this time in meeting with Assistant United States Attorneys to discuss or assist in banking fraud cases. We believe that all of these efforts are an excellent means of assisting the criminal law enforcement process.

VI. Direct Civil Enforcement Actions Against Bank Officials Guilty of Insider Abuse

a. Please fully describe OCC procedure for considering civil enforcement action and set forth: (1) the position of the person likely recommending such action initially, (2) a description of each step in the review process (both in the regions and in D.C.), (3) the involvement of any intra-agency committees and the positions of persons on such committees, and (4) the average time required at each step.

1. & 2. The OCC procedures for considering civil enforcement action are fully described in PPM 6100-1, Formal and Informal Administrative actions, PPM 5000-7, Civil Money Penalties; and Examining Circular 161, Special Projects Program, all of which are attached.

3. Currently, the FDIC is provided with all Enforcement Review Committee (ERC) packages and sends a representative who participates in the Washington ERC meetings. The Federal Reserve is also provided a list of topics or a copy of the proposed administrative action on any bank which is a member of a holding company and sends a representative to the OCC's ERC meetings in pertinent cases. (See the attached policy on interagency Coordination of Formal Corrective Action by the Federal Bank Regulatory Agencies, PPM 6100-3 (REV).)

The OCC's Washington ERC is comprised of senior officials of the Office (see attached PPM 6100-1 and supplement) and has the responsibility of reviewing proposed administrative actions and advising the Comptroller, or his designee, as to the propriety of these proposed actions. Each District Office has a similar committee which performs the same function for the District's Deputy Comptroller.

4. The average time to process an enforcement action is set forth in the attached chart developed by the BEST study referred to in I. b. 1.

b. Our review of materials submitted to the subcommittee reveals further that the OCC often fails to take direct civil enforcement action against individual bank officials if they have either left the employment of the bank or if they have been the subject of a criminal referral, even in cases where prosecution of the criminal referral is ultimately declined. (For example, in OCC problem banks No. 2 and 4, 3, 7, 9, 10 (here the "matter was treated by making a criminal referral"), 15, and 16; and OCC failed banks A, F, H, I, and O. In these cases, no civil enforcement action was taken against the individuals contemporaneous with, or subsequent to, the referrals.) How does such a policy address the issues of safety and soundness *and* deterrence, particularly in those cases where criminal prosecution has been declined?

The answer to this question has already been provided in response to an earlier request by the staff of the subcommittee, a copy of which is attached. In summary, however, it should be noted that the basis for a criminal referral is not necessarily also a basis for a removal action under 12 USC 1818(e) or for the civil money penalty authority of the OCC. In addition, many referrals do not involve matters which affect the safety or soundness of the bank. In that regard, it should be stressed here that the determination as to whether to take administrative action is independent from the criminal referral process. As far as taking direct ac-

[illegible] has [illegible] the practice of the OCC to [illegible] a determination that [illegible] on a case-by-case basis.

[illegible] it should be noted that in one of these cases referred to in the question (Bank 15), the OCC entered into a [illegible] stipulation with the former president of the bank whereby he agreed to stay out of banking. Also, in at least three other cases (Banks A, H and [illegible]), the individuals involved were indicted and convicted, thus obviating the need to remove them from banking under 12 USC 1818(e) in light of the prohibitions under 12 USC 1829. (See the answer to [illegible] for a more complete explanation of the action taken in these failed and problem bank cases with regard to prohibitions and removals.)

In those cases where the individual who is the subject of a criminal referral has resigned, but has not been indicted or convicted, the OCC will consider the propriety of removing him or issuing an order of prohibition against him under 12 USC 1818(e). In evaluating these matters, we take into consideration:

- the legal sufficiency of a removal or prohibition proceeding (which has completely different criteria from a criminal prosecution);
- the likelihood of an indictment;
- the likelihood of the individual trying to go back into banking (at which time the Change in Bank Control Act may enable the Office to preclude him from returning to banking);
- the resources and personnel required to investigate and prosecute the removal or prohibition;
- the problems faced in litigation;
- the possibility of not having enough resources and personnel to pursue other matters directly and currently affecting other national banks.

It should also be noted that the question of whether an agency retains jurisdiction to continue a removal or prohibition action once a person has left the bank is still open. A proposed amendment to the FDIC Act, suggested by the FDIC, provides:

[illegible] The appropriate Federal banking agency's jurisdiction to proceed under this subsection against an officer, director or other person participating in the affairs of an insured bank is not affected by the officer, director or other person's voluntary or involuntary departure from office or cessation of participation in the bank's affairs.

[illegible]

and the lack of similar increases in the number of removals, prohibitions and suspensions.

The Financial Institutions Regulatory and Interest Rate Control Act of 1978, Pub. L. No. 95-630, (FIRA), gave the OCC authority to assess civil money penalties (CMPs) for violations of cease and desist orders and various federal banking laws.

FIRA was enacted November 10, 1978 and became effective 120 days later, on March 10, 1979. On March 12, 1979, the OCC issued "Procedures for initial implementation and processing of civil money penalty actions under the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA)". This directive informed national bank examiners of the new CMP authority and instructed them on how and under what circumstances to make CMP referrals. On October 31, 1979, the March directive was replaced by an OCC issuance entitled "Procedures for implementation and processing of civil money penalty actions under the Financial Institutions Regulatory and Interest Rate Control Act of 1978 (FIRA)." This directive set forth the OCC's instructions and procedures covering CMPs from the time an examiner discovers the violation until the final collection of the penalty.

The OCC's October 31, 1979 policy statement was superseded by PPM-5000-7, a policy directive issued by the OCC on March 11, 1981. PPM 5000-7 contained the supervisory policy adopted by the Federal Financial Institutions Examination Council governing the assessment of CMPs.

The OCC has diligently employed the CMP process. The fact that the number of CMPs assessed between 1980 and 1983 increased from 15 to 129 is explained by the fact that in 1980, CMP authority was new and untested. It was appropriate that the agency used its new power sparingly at first, until appropriate policies were developed and sufficient expertise was gained to ensure that CMPs would be assessed fairly, evenhandedly, and correctly. As noted elsewhere, we are continuing to review our processes to ensure that they are being utilized fully and fairly.

The legislative history of FIRA reflects congressional recognition of the fact that the OCC had no enforcement alternatives other than ignoring a violation or imposing a drastic remedy that in many cases would exceed the seriousness of the matter. CMP authority was designed to give the OCC a moderate, flexible enforcement tool for circumstances where there exist violations of law. Removal, prohibitions and suspensions are drastic remedies for which the statutory criteria that must be established are significant. The OCC, however, uses this power in all appropriate

cases. The OCC likewise uses other means, such as cease and desist orders and formal agreements, to accomplish the necessary end and to expeditiously correct the problems.

d. The FFIEC interagency policy on civil money penalties states, "Civil money penalties shall be initiated if (a) . . . the violation is found to be willful, flagrant, or otherwise evidences bad faith on the part of the bank or individual", or (b) if "previous supervisory citations of fineable violations that meet the test of gravity . . . have gone unheeded in that the violations have not been corrected or similar violations have been repeated." Out of the 20 OCC referrals in problem banks during 1980-81 and out of the 4 referrals made in failed banks prior to their failure, the subcommittee has identified only 6 cases in which civil money penalties were imposed. Fully explain why so few such actions were taken.

This question appears to be based on the premise that transactions involving potential violations of criminal law may uniformly serve as a basis for a civil money penalty issued by the OCC. This is not correct. Specifically, the OCC can only assess civil money penalties for violations of final cease and desist orders under 12 USC 1818 and for violations of various *civil* banking statutes such as 12 USC 84, 371c, 375a and 375b. Consequently, the subcommittee should understand and keep in mind the very clear distinction between criminal law and criminal insider transactions, on the one hand, and civil violations and non-criminal insider transactions (such as those involving violations of legal lending limits) on the other.

It must be clear that the OCC cannot enforce or prosecute violations of criminal law. In addition, the OCC cannot use a violation of criminal law as a basis for the issuance of a civil money penalty.

Conversely, it should be noted that a violation of a civil statute is not a basis for the institution of criminal prosecution. The confusion of the subcommittee in this area may stem from the testimony of Professor John A. Spanogle, Jr., on June 28, 1983, when he indicated that: "The administrative orders almost always involve conduct which is allegedly violative of Federal criminal statutes." The footnote he cites in support of this contention refers only to violations of 12 USC 84, 375a, and 371d—all *civil* banking statutes. Violations of these statutes cannot be used as a basis for a criminal referral or prosecution. Consequently, it should be made clear that Professor Spanogle's testimony is simply wrong. In the case of *U.S.* v. *Christo*, 614 F.2d 486 (5th Cir. 1980), that the Court of Appeals reversed a criminal misapplication conviction because the trial court improperly instructed the jury that they could find a criminal misapplication if they determined that there was a violation of a civil statute dealing with insider lending, a violation of 12 USC 375a.

While facts relating to a criminal case may, in some cases, also serve as the basis for a civil money penalty case, they are in no way inextricably bound. Further it should be pointed out that the OCC has issued civil money penalties in seven of the problem and failed bank cases, is in the process of issuing civil money penalties in one other and has two other cases under consideration. In light of this record, and the fact that not every problem and failed bank case warrants or allows for the issuance of civil money penalties, we believe that we have issued civil money penalties in all of the appropriate cases.

e. Similarly, why are so few orders of prohibition issued? Out of the 24 OCC referrals listed above in VI(d), the subcommittee has not been able to identify any cases in which an individual has been permanently barred from participating in the affairs of a national bank. Have there been any? If so, please describe. What is the agency's policy and practice on the use of prohibitions?

As with the issuance of civil money penalties, it is important to stress that a basis for criminal referral does not always provide a basis for the institution of a removal or prohibition proceeding. Such proceedings require statisfying a series of stringent statutory criteria which are not necessarily the same or even relevant to the potential violation of criminal law. In addition, as pointed out in response to VI. b. above, there are additional factors and possible alternative actions which should be considered before the institution of a time-consuming and labor-intensive removal or prohibition proceeding.

With respect to the thirty problem and failed bank cases under review by the subcommittee, however, it should be noted that in eighteen of the cases, the individual against whom a criminal referral was made either resigned, was convicted, was the subject of a formal removal proceeding by the OCC, stipulated to a formal agreement with the OCC to stay out of banking or was the direct or indirect subject of a temporary or permanent cease and desist order issued by the OCC. Specifically, individuals resigned from the banks in at least five of the cases, individuals were convicted in eight of the cases, the OCC issued formal Notices of Intention to Remove in four of the cases (all of which were resolved by the individuals stipulating to an agreement to stay out of banking). In a fifth case the OCC similarly entered into a formal agreement whereby the individual agreed to stay out

4. [illegible] how many times has the OCC issued temporary or permanent orders requiring a new chief executive officer or restricting the composition of the membership of the board or the chief executive officer?

The OCC's policy and practice on the use of prohibitions is to consider it whenever appropriate. (See discussion under VI. b. and c.)

5. The FFIEC has issued uniform standards on the imposition of civil money penalties. Why has the Council not taken similar action on removals, suspensions, prohibitions, and criminal referrals? Should it?

When the authority to assess civil money penalties was granted to the Federal banking agencies, it became apparent that the statute did not contain guidance as to what level of severity of violations should trigger an assessment. The statute on its face gave the agencies the authority to assess penalties for every covered violation, no matter how insignificant, and without regard to intent. Any inadvertent violation could be treated on the same level as deliberate and flagrant violations. Consequently, it was appropriate to establish internal guidelines as to when civil penalties should be assessed.

This situation contrasts significantly with the statutes authorizing suspension and removal of bank officials. Those statutes contain explicit, clear criteria governing their use. Moreover, these statutes had been in place since 1966 and the agencies had experience in their use. Thus, it was not necessary for the FFIEC, which was only established in late 1978, to undertake to provide detailed standards when the statutes themselves were sufficient.

The situation regarding criminal referrals is somewhat different. The OCC believes that under general principles of law, it must refer to the Department of Justice any reasonable suspicion of criminal wrongdoing. We do not have the authority to "make a first cut" and consequently, it would not be appropriate for this agency (or the FFIEC) to issue guidelines which would potentially infringe upon the discretion of the Department of Justice.

VII. Disclosure of Enforcement Actions

1. Pursuant to 12 USC 1818(h)(1), the OCC has the authority to hold public hearings of civil enforcement actions brought against banks or individuals. During the years since 1980 how many enforcement actions has the OCC publicly disclosed? Has the agency ever considered public disclosure of enforcement actions as necessary to the agency's support for bank deregulation and market discipline?

Strictly speaking, OCC has disclosed two types of enforcement actions: formal agreements described in Section 8(b)(1) of the Federal Deposit Insurance Act, 12 USC 1818(b)(1), and administrative orders under section 15B(c)(5) of the Securities Exchange Act of 1934, 15 USC 78o-4(c)(5). It has done so on four occasions, all occurring since 1980.

It is important to a proper understanding of the role of disclosure in banking regulation, however, to emphasize that the disclosure of enforcement actions is no more than a small part of a much larger program of publication of information about the operations and financial condition of individual banks and bank holding companies. For example, where such institutions are publicly held and subject to the periodic reporting requirements of the securities laws, such information is as a matter of routine made available to the financial markets and the public. Moreover, with the restructuring that is taking place in the banking industry, with increasing numbers of banks merging or consolidating and thus becoming more widely held, such information will be published by an even larger portion of the industry.

OCC regularly considers and evaluates the relationship between its regulatory actions and the broader goal of bank deregulation and market discipline. There are many complex factors to be given weight in the process of finding appropriate accommodations between and among the numerous and sometimes conflicting policy goals involved. Under some circumstances, increased disclosure of enforcement actions obviously may have the beneficial effect of deterring similar conduct in other financial institutions. But at the same time, such disclosure may have an unduly disruptive effect on the financial stability of the affected individual institution.

The current practice of the OCC is to maintain supervisory discretion over the publication of enforcement actions. During a time of rapid change in the financial industry, we think this approach is the most responsible one.

The OCC currently requires that if a publicly held bank is operating under a cease and desist order, it must disclose to its shareholders the existence of the order, plus the underlying facts and circumstances that gave rise to the order. This is based upon the theory that such an order is a "material corporate event" under federal securities law. Do you consider suspensions, removals, and prohibitions of top bank

officials to be similarly "material" events requiring disclosure? If not, why not?

Concerning the question as to whether suspensions, removals, and prohibitions of top bank officials are material corporate events, the OCC is of the view that under many circumstances such actions may very well be material events. Whether any particular action is material may turn on many factors, including the position and/or identity of the person against whom an action is taken, the reasons for the action, the effect that the individual's conduct has had on the institution as a whole, the severity of the action taken, the effect suspension, for example, may have on the continuity of management or the business operations of the bank, and the timing and context in which disclosure might be required.

VIII. Proposals for Change

a. What regulatory and administrative measures does the OCC believe to be necessary to help reduce the level of insider abuse in banks? Does the agency have adequate resources for the job?

We continue to believe that the main step to assist in reducing insider abuses in banks would be the bringing of swifter and surer prosecution of potential violations of criminal banking statutes with the real possibility of a jail sentence for white-collar criminals. We are in the process of revising our regulation 12 CFR 7.5225 in order to eliminate the requirement that *de minimus* referrals be made by the banks to the Department of Justice. We shall continue to vigorously utilize all of our enforcement tools and shall work with the other agencies in coordinating our efforts.

b. What joint actions should the FFIEC and the various agencies take to improve law enforcement efforts in this area?

The agencies of the FFIEC, as this agency has historically done, should communicate frequently with the law enforcement community to assist it in banking cases and in aiding in the training of those agencies at understanding bank fraud cases. We should continue to press the law enforcement community and work with it on individual cases. We have and will continue to have joint meetings with the law enforcement community. Coordination of effort and communication both from and to the law enforcement community is essential to successful and timely prosecution.

c. What steps do you think that the Department of Justice should take, both separately and in conjunction with the banking agencies, to improve the investigation and prosecution of insider abuse cases and to coordinate its actions with the banking agencies?

The Department of Justice should express to its 94 United States Attorney's Offices the importance of banking cases. It should consider making bank fraud cases a high priority of the Economic Crime Council of the Department of Justice.

The law enforcement community should establish a procedure to contact the banking agencies at any time it becomes aware of potential wrongdoing in a bank or involving a bank or employee of a bank. With this information, the agency can determine what assistance it can render and decide whether it can take action quickly to prevent further deterioration in a financial institution or take action against a wrongdoer.

Justice should also create a system whereby a central location or office has input into the multi-jurisdictional-type cases to ensure that they are being investigated and prosecuted by the appropriate offices. Justice should monitor specific major cases being handled throughout the United Sates and periodically update the banking agency on the status of its investigations.

Justice might also consider maintaining an overall computer system containing all referrals and should periodically match names to determine whether an individual is showing up on several different occasions. Through such review, repeat offenders of *de minimus* matters could be identified and prosecuted.

In this regard, banks and the bank regulatory agencies have historically made referrals of all violations of law to the Department of Justice and the FBI regardless of the amount involved, seriousness of the violation, or the likelihood of successful prosecution. In light of the overwhelming number of these referrals, many, because of their *de minimus* nature, are not prosecuted. While understandable from the Justice Department's perspective, this frustrates banks and bank regulators because the time and effort spent on such referrals is extensive.

In light of the excessive work these referrals create, we believe Justice should work with the banking agencies to eliminate the burden of making and receiving referrals that only stand a remote chance of prosecution. We believe the following measures should be addressed:

- a minimum threshold level for reporting violations,
- a mechanism to handle the *de minimus* offenders, and

- [illegible] Government

[illegible] Congress make [illegible] in the fight against insider abuse?

Since as early as 1971 the OCC has urged the passage of legislation to amend the misapplication statute (18 USC 656) and the false entry statute (18 USC 1005) because certain court cases had, in our opinion, created erroneous interpretations of the statutes. These court opinions, together with more recent opinions that limit the utility of the check kite statute and the false statement statute, create serious problems under Federal law with respect to prosecuting bank fraud cases. We believe that a bank fraud statute, such as contained in the Administration's Omnibus Crime Bill, H.R. 2151 and S. 829, would facilitate the prosecution of bank fraud cases and would eliminate some of the jurisdictional and evidentiary difficulties that sometimes are created in investigation and prosecution of frauds committed on national banks.

We have likewise requested for some time an amendment to the bank bribery statute which would expand the statute to specifically include the giver of the bribe, make the crime a felony, and make it applicable to transactions other than loans. This provision also is contained in the Administration's Omnibus Crime Bill and is one which could be helpful in attacking insider abuse.

Another provision of this Crime Bill that we have endorsed in the past is the amendment to the Federal Tort Claims Act. On several occasions our employees have been personally subjected to meritless lawsuits brought under the guise of constitutional torts because of their cooperation with the law enforcement community. To prevent these harassment type lawsuits, we believe the Federal Government should be the exclusive defendant where an employee acts within the scope of his employment and purportedly violates someone's constitutional rights or commits other torts.

We further support additional legislation designed to strengthen the law enforcement community's ability to attack modern-day crimes. Such provisions that should be considered include those in S. 2181 (Financial Service Competitive Equity Act) to deal with EFT and credit card fraud.

This office has testified on several occasions that the Right to Financial Privacy Act, as noted above, imposes severe restrictions on the Government. These restrictions, when coupled with other restraints, both actual and perceived, such the Privacy Act of 1974, the Tax Reform Act of 1976, grand jury secrecy rules (as expanded by *Baggett* and *Sells*), state privacy acts, and the Freedom of Information Act, create serious problems for the Government in coordinating its actions. We believe that a review should be undertaken of the various limitations because they impede our supervision of national banks, especially when we deal with the law enforcement community. Many of the statutory proscriptions seriously detract from the agencies' ability to fully coordinate their efforts. We believe, therefore, that it is important to reexamine the existing law enforcement mechanisms and laws to determine if conflicting statutory limitations may unjustifiably frustrate law enforcement purposes. We believe that unwarranted barriers to the exchange of information among agencies should be eliminated to the fullest extent possible consistent with our deep concerns for the rights of individuals.

Remarks by Richard V. Fitzgerald, Acting Chief Counsel, before the National Brokerage Conference, Washington, D.C., May 30, 1984

"Upscale Banking: Maybe More Fad than Panacea"

It is a great pleasure to be here today. Considering the [illegible] of the experts that are represented on the [illegible], I am very honored to be the keynote speaker [illegible] that I get a chance to [illegible] you hear the very [illegible]

[illegible] has financed the college education of many a lawyer's child. It wasn't until I received a copy of the program that I discovered that the real subject of the conference would be upscale banking.

When I thought over what I would say to you, I tossed around the two subjects—Glass-Steagall and upscale banking. There is a very strong connection between the two, but my reaction to that connection may be a

little different from what Jim had in mind. And, if at times I sound a little down scale on the concept of upscale banking, it may be because I haven't found an upscale banking product for which I qualify.

I have entitled my speech, "Upscale Banking: Maybe More Fad Than Panacea." And in that vein I will address three points: why upscale banking may not be for every institution; the importance of strategic planning in any of your marketing decisions; and the responsibility of the bank to its customers and how that relates to upscale banking.

Why Upscale Banking Is Not for Everyone

There are some very good reasons for not concentrating exclusively on an upscale program. Some of these reasons show up on the earnings statements.

Everyone—from academia to consultants, from trade associations to regulators—has been telling banks that they must begin to practice marketing and strategic planning seriously in order to succeed in the new competitive world of financial services. It appears that bankers are taking that advice. But too many may have concluded that if they have to target a particular market, why not go for the people who have the most money?

On the surface, it sounds like a splendid idea. The catch is that almost every marketeer and strategic planner in the financial service marketplace is targeting the same segment of the market.

The elusive search for the upscale customer has triggered the equivalent of the California Gold Rush of financial services. And like the gold rush, some of those who got in early will make a fine profit, but a lot more may lose their shirts. And like gold, there just aren't enough upscale customers to go around.

The success stories you will hear during this conference will be from those who were in the right place at the right time. They had the right customer base, and they had the right products for the time. But there is no guarantee that those who get into upscale banking now will be so lucky. The industry leaders you follow today, could end up being the Pied Pipers of tomorrow. After all, in periods of industry shakeout, the worst thing to be doing is what everyone else is doing. And upscale banking, it appears, is what everyone is interested in today.

Based on the subjects that will be addressed during this conference, one could surmise that upscale customers are probably interested in discount brokerage, investment advisory services, and asset management accounts. Discount brokerage may well prove to be an attractive bank product, although the [illegible] is by no means complete. And I am not convinced that the upscale customer is ready to seek financial advice from a bank or to pay the high cost of asset management accounts.

Let me go through that product list one at a time. First, we mentioned discount brokerage. In a poll done by the Bank Administration Institute and Arthur Andersen, it was shown that three-quarters of all banks intend to be offering some form of discount brokerage by 1990. That means that there will be intense competition for a market that was never very big. The hope is that the market will grow, a highly speculative assumption.

How about targeting investment advisory services to the upscale market? The firm, Research and Forecast, Inc., recently polled some 1,100 adults on the subject of their willingness to turn to a banker for financial advice. Of those polled, 54 percent said they would. But interest in financial advice from bankers fell as income rose. Of those making less than $10,000, a full 60 percent said they'd look to their banker for advice. But that figure dropped to 37 percent for those making $40,000 or more. As income rose, accountants picked up most of the respondents that bankers didn't get.

I have heard that many banks are having a tough time with asset management accounts for upscale customers. The customers have resisted the high minimum balance requirements and high fees associated with these accounts. And the banks themselves are finding these accounts require intensive labor and management for what is essentially a weak market. Many bankers contend that the asset management account is better tailored to a middle market.

Certainly, upscale customers' interest cannot be limited to discount brokerage. That must be true. The product that interests the upscale market most is a high line of credit at lower rates than they would otherwise receive. But, as competition heats up in the upscale market, the interest margins on that high line of credit are going to be squeezed by competition. When that happens, you may find that even the successful upscale programs will wither on the vine.

Strategic Planning and Marketing Decisions

If upscale banking alone isn't the answer, what [illegible] a rapidly changing environment, survival [illegible] being future-directed. To do that, you [illegible] clear picture of what you are [illegible] today. Identify your strengths, weaknesses, [illegible]

[illegible] you want to be [illegible] and develop a strategic plan to reach them.

In determining your bank's objectives, you should determine what your bank does better than your competitors. Do you want to be all things to all people? Probably not. Should you specialize? Almost everyone should, but only in those things you know and do well. That includes the kinds of products and services you should provide and the kind of delivery system that is most efficient. You must also decide what degree of risk you are willing to take or must take to successfully serve that target market. This decision must be made within the context of what you are, a bank.

It should go without saying that all of these choices must be based on your knowledge of your market and the realization that for the first time banks are facing a competition unknown to them before a few years ago. In that sense many bankers are ill equipped by experience to make these decisions. Thus the importance of a realistic and valid strategic plan.

These strategic planning decisions must be based on an analysis of what's right for your institution, not just what's possible. Too many bankers feel that because an activity is allowed, they must get into it. But the fact is that you can't do everything. Do what your institution can do profitably and safely within the capacity of your management team. Concentrate on what you do best. New legal powers can increase the range of possibilities, as can technology. But you will have to decide how to make the best use of both. And you will have to decide how and when to innovate.

Basically, that is the process you must go through. If you haven't gone through this process, you had better do so. Follow-the-leader is a totally inadequate strategy in a highly competitive marketplace and irrespective of what Congress does or does not do to the law, the financial services industry will grow increasingly more competitive. You have to find out what your special strengths are or what they could be. You also have to identify your competitive weaknesses and areas that show persistent red ink. Maintain your other profitable but non-differentiated segments, and concentrate the proceeds on those areas that show the most promise for long term profitable development. That way, if [illegible] fades away with increased competition, [illegible] you'll still have a firm base from which to grow.

[illegible] it is important to remember that in any [illegible] be made. Don't be seduced by the upscale market. Why not try to specialize in a customer segment where you face less rather than more competition. Be the first on the block with a program tailored to the middle market or even the lower market customers. Certainly Sears and K-Mart have done very well in the retail business by specializing in these types of customers. Furthermore, there is a much greater chance that you have and have retained a higher proportion of these customer segments. And they are also more willing to use a banker for financial advice. There is a lot more room in the marketplace for a Sears or a K-Mart than there is for a Cartier. The bottom line is look for the strengths in your customer base and target your strongest segments.

Responsibility to Your Customers

Like it or not, banks are not like other private institutions. They have a special responsibility to their customers which is recognized in the way in which banks are chartered, regulated, and have, at least in the past, been protected in certain ways from competition in their individual markets. I need not remind any banker that law and regulation requires that appropriate services be extended to *all* parts of the bank's community. Thus, to a certain extent, banks are seen to be more like utilities than unlike them. But there is an even stronger law — the law of competition says, if you don't keep your customers happy they will move their business elsewhere. Consumers are important; buyers of bank services are the people who pay the bills, they determine whether the bank is profitable or not.

Today, banks are clamoring for new powers so they can offer a wider range of products and therefore better compete with other financial service providers. The regulators, like the Comptroller's Office, agree that banks need new powers to compete. And there are many people in the legislative process who are working towards comprehensive modernization of the legal structure governing banks so that they can compete.

Well, you might ask, what does that have to do with upscale banking? The political fact is that before Congress gives new powers to banks they must be convinced that banks have a genuine interest in serving the needs of all customers, not just the upscale ones.

Conclusion

If you've done all your homework, your research and strategic planning, and have thought over the consequences of what you plan to do, and still decide that the upscale market is for you, there are some important legal considerations you better keep in mind.

Even though you will be targeting affluent and upwardly mobile individuals, if you're a bank, you must still comply with the provisions of the Community Reinvestment Act. During the bank examination process, we regulators will continue to assess your record of performance in helping to meet the credit needs of the entire community you serve, including low and moderate income neighborhoods, consistent with safe and sound operation of the bank.

That is your responsibility, and that will not change with deregulation. So keep it in mind.

I hope my presentation hasn't sounded like all gloom and doom. There are a lot of opportunities for banks today and not only upscale ones. And as deregulation progresses, there will be even more. The important thing to remember is to pick the right ones for your bank, for your management, for your market. And pick them and operate them with prudence. That is the only sure way to succeed at banking. Any kind of banking.

Remarks by C. T. Conover, Comptroller of the Currency, at the Morin Center for Banking Law Studies, Boston University School of Law, Boston, Mass., June 1, 1984

"Interstate Banking: Bring Down the Walls"

I am pleased to be able to talk with you today. My theme is "Interstate Banking: Bring Down the Walls," because that is one of the things we need to do to restore fair competition to the financial services marketplace.

To some that may sound like a contradictory statement considering the fact that I recently imposed a moratorium on the chartering of nonbank banks. That moratorium was not meant to be a move against interstate banking. The large number of applications from bank holding companies to establish nonbank bank subsidiaries in new geographic markets was troubling for another reason. Since March 31, the Comptroller's Office has received 280 nonbank bank applications, including over a dozen from Massachusetts bank holding companies to establish nonbank banks in other geographic markets and about 10 from out-of-state bank holding companies to establish nonbank banks in Massachusetts. I was concerned that the large number of applications may have tempted Congress to enact narrow legislation to eliminate nonbank banks without addressing the broader issues of expanding product and geographic powers. The moratorium is intended to refocus the debate on the real and immediate problem—the archaic legal structure governing the financial services marketplace. That legal structure must be changed to reflect the realities of a competitive marketplace.

Marketplace Development Outpaces Legal Change

Every day in that marketplace billions of dollars are transferred almost instantaneously from one end of the world to the other through sophisticated electronic networks. Bank customers activate automated teller machines with their personally encoded plastic cards. Of if they don't feel like going out, some even do their banking with their home computers. Deposits are made by mail or automatically from payroll departments using magnetic tapes. Customers use the telephone to transfer funds between accounts or between institutions. The point is that technology is eliminating time and space requirements for providing financial services and at the same time reducing the costs.

As a result, the market place has experienced rapid and fundamental change. Businesses, consumers, and the financial institutions that meet their needs have extended their geographic reach. Yet the basic federal laws governing geographic expansion by banks have been virtually unchanged for 50 years. All these laws do is slow the development of the innovations that will provide better service, more conveniently, at a lower cost to bank customers.

The trouble is that the laws governing our financial system have been remarkably impervious to change. Luckily the marketplace is more efficient. It is way ahead of Congress in its ability to change. In reality the impact of the McFadden Act and the Douglas Amendment has been gradually eroded by the marketplace over the years. Today many competitors offer banklike products and services across state lines and even nationwide. They have gained a significant competitive advantage over banks.

Nevertheless, most people don't understand that removing geographic barriers is as much a consumer and small business issue as it is a banking issue. The

[illegible] interstate bank [illegible] and wealthy individuals. But [illegible] the vast majority of consumers and small businesses to receive the benefits of [illegible] better products and services and a [illegible] delivery system.

Reexamining the Arguments Against Change

Many thoughtful people still believe, however, that there are valid public policy reasons for keeping the barriers against interstate bank operations in place. I understand their concerns, but I think they may not fully appreciate the current situation. So let's run through their arguments in light of the realities of today's competitive marketplace.

Bank Products Are No Longer Special

For the market to be free and competitive and benefit consumers and small businesses, banks cannot be treated more harshly than other providers. Many of those who oppose these changes say that banks must be treated differently because of their unique role in our economic system. Banks are unique because of the important part they play in our payment system, because they are agents for monetary control, and because they provide a safe haven for deposits. But banks have lost uniqueness in terms of the services they can provide to the public.

In fact, there is not a single service or product line that is offered exclusively by commercial banks. Brokerage firms pay interest on idle balances and allow account holders to write checks on these interest-bearing accounts and to draw against them with a credit card. Mortgage companies originate real estate and construction loans, place these loans with others, and service the accounts. Finance companies make loans to individuals and businesses. Insurance companies sell policies with premiums that accumulate and earn interest, and make commercial loans.

Federal thrift institutions can make commercial, consumer, and mortgage loans, provide checking accounts, and accept time and savings deposits. Federal credit unions take time and savings deposits, provide the equivalent of checking accounts, and make personal loans.

[illegible] banking competitors can operate with [illegible] than banks. As a result [illegible] Banks are [illegible] American Express, who can offer financial products and services nationally. Federal thrift institutions can operate ATMs across state lines. And the Navy Federal Credit Union has offices worldwide.

The public wants financial services, but they couldn't care less where they get them. The reality of 1984 is that if banks can't offer those products and services competitively, customers will get them from thrifts or other banklike competitors. The only purpose that McFadden and Douglas now serve is to deprive the public and small businesses from the benefits of a free and competitive marketplace.

Concentration of Economic Power

Another argument against changing the laws that govern commercial banks goes something like this. Our commercial banking system is such a powerful component of our national economy that we must take special measures to assure that undue concentrations of financial power cannot occur.

But by making it easier to enter a given market, we can actually reduce the concentration of economic power found in many local banking markets. It's Douglas, McFadden, and state branching restrictions that create artificial barriers to entry and therefore concentrate financial power in these protected markets. Consumers, small businesses, and farmers certainly don't benefit by having only a few banking institutions from which to choose.

In fact, the surest way to ensure that we have concentrations of financial power is to leave the laws the way they are now. Sears, Merrill Lynch, and American Express have already developed national networks and have a significant competitive advantage over commercial banks. If no action is taken to allow banks to compete, these providers will use their competitive advantage to gain an increasingly larger share of the market.

Those who think, if geographic barriers are removed, money center banks will run out and buy all the banks in Kansas are looking at the problem from a very narrow perspective. Certainly there will be some consolidation within the banking industry. But today, not even the largest bank has two percent of the total deposits of U.S. banks. It certainly would be better to add thousands of potential competitors than to limit competition to a handful.

Other Concerns

Yet another issue that has been raised is the potential impact on local communities of allowing banks to expand geographically. In states with unlimited

branching, the result has been more access for customers and a wider range of financial services for local communities. Furthermore, bank expansion generally results in a higher proportion of loans to local customers. Banks consistently employ a greater proportion of their resources for loans when they operate in statewide branching states than in unit banking states. And there is no evidence to support the claim that banks use their outlying branches to transfer funds to head offices in urban areas. In actuality, they transfer their funds among branch offices as dictated by needs.

Another concern is that removing geographic barriers will have an adverse impact on the safety and soundness of the banking system. It is generally recognized that diversification reduces risk. All things being equal, geographic diversification ought to reduce risk too.

The final concern is the negative effect removing geographic barriers will have on the viability of the dual banking system. The dual banking system does not depend on state authority over geographic limits. The strength of the dual banking system is its ability to provide alternative routes of entry into the business of banking and alternative sources of regulation and supervision. Removing geographic barriers need not jeopardize this strength.

Barriers to Progress

If permitting geographic expansion is such a good idea, why haven't we done it yet? There are basically three concerns that are limiting progress.

Effect of Partial Deregulation

The removal of interest rate ceilings has benefitted consumers immensely, but it also has spurred banks to raise service fees. Even though this is the result of partial deregulation, it has soured some consumers on the further loosening of restrictions. But that concern can be answered. Service fees need not rise if banks are able to reduce their costs. One way this could be done is by changing the delivery system from full-service brick and mortar branches to a "hub and spoke" approach. The hub and spoke system would include some full-service branches surrounded and supported by a network of mini-branches and ATMs.

Such a system would provide increased access for the most frequently used services, such as deposits, withdrawals, loan payments and transfers between accounts. And, at the same time, it would maintain reasonable access for loan applications and other special needs that require on-site service representatives. It would reduce pressure for higher service fees because the banks' costs would be greatly reduced. It may well be a better model for service delivery in the future. But to implement this new approach requires branching freedom, and we don't even have that at an intrastate level. In fact, in some unit banking states, ATMs aren't even allowed because they are considered branches.

Opposition by Small Banks

The second concern that has limited progress in removing geographic barriers is that small banks are opposed to it. They feel they will be unable to compete with the larger banks. They think McFadden and Douglas are effectively protecting their markets from outside competition. They don't want to lose that protection. But that protection is just an illusion. Douglas and McFadden may protect them from other banks, but they provide no protection from other financial service providers.

Moreover, their fears are unfounded. Where branching laws are liberalized, smaller banks do just fine, thank you. In fact, in California, which has the largest branching network in the country, small banks have consistently outperformed their larger cousins. They have to operate differently and have high quality management, but they can and do succeed.

But in spite of the facts, small banks continue to pressure the states in which they operate to maintain geographic barriers. This has placed these states in a position that is totally out of step with new technology and broad-based competition from nonbank institutions. We even have instances where S&Ls can branch and banks can't within the same state.

Restrictive State Laws

Those states that have branching restrictions need to change their laws now to give banks a chance to compete. Earnings gained from paying low rates of interest are no longer available to offset losses that result from maintaining a costly delivery system. If banks can't reduce operating costs they have to raise fees.

Since 1972, 12 states have liberalized their intrastate branching restrictions. I commend those efforts and urge others to do the same. Those states with branching restrictions have not provided their banks with the opportunity to make the necessary changes in their delivery systems to reduce operating costs and achieve economies of scale.

Furthermore, unlimited branching within a state is required before any of the benefits of a [illegible]

present system will be [illegible]. And if some sparsely populated states [illegible] regional compacts will be the [illegible].

One such regional compact is being formed in New England. Others are being discussed for the South and the Northwest. In fact, at least 18 states have passed laws that permit entry on some basis by out-of-state banking organizations. And currently at least 39 states have been or are involved in discussions about the formation of banking regions.

Prescription for Change

Given these facts, what are our alternatives? First, we could lift all the geographic barriers in one fell swoop and put the banking industry on par with other financial services competitors. In 1981, the President submitted a report to Congress recommending just such an action. Nevertheless, Congress has been unwilling to address the question. Moreover, the banking industry still has not given Congress a clear signal on the question of geography. So that does not appear to be a workable solution.

Or, we could go through a series of regional experiments, like what is happening in New England and being planned in other areas of the country. Given the current political environment, that appears to be the only rational solution.

After all, the need for interstate expansion is only one of three very important problems facing the banking industry today. Equally important is the need to provide banks with expanded product powers, and the need for a more rational regulatory system based on function rather than on charter.

That is why I have urged Congress to enact comprehensive legislation to provide banks with expanded product powers and to permit interstate expansion on a regional basis. I have also been an active participant in actions to develop a more sane regulatory system.

I must point out that I do not regard the regional compact as the solution to the problem, it is only the first step to geographic deregulation. Seven or eight walls are certainly better than 50, but they are not as good as none.

But I am confident that if we continue to press for comprehensive solutions, we will see the federal and state laws begin to follow the path the marketplace has already taken in terms of products, regulation, and geography. Banks will be allowed to do a better job of serving their customers. The walls will come tumbling down.

Remarks by C. T. Conover, Comptroller of the Currency, at the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N.J., June 6, 1984

"Is There a Future in Banking?"

It's a pleasure to be here. As a group you symbolize the future of banking because this training at Stonier is preparing you to take over the leadership positions in the industry.

That means you have the most to lose if banks become weaker or are not allowed to compete with other financial service providers. Therefore, it is in your best interest to understand the many forces at work in the industry. So this evening I'd like to talk about those forces that are at work. I plan to begin by describing [illegible]. Then I will ask [illegible] banks are prepared to operate in that [illegible]. Is there a future in banking?

Financial Services Marketplace of the Future

With the advent of high technology, the removal of controls on consumer deposits, the narrowing of spreads, and the beginnings of product and geographic expansion making a forceful impression on the marketplace, the future direction is already evident. I believe that some day soon all financial service providers will have extensive product powers and will be able to compete across state lines. Regulation of providers will be based on function rather than on where they received their charter, so they will look very much alike. Providers will offer the same products and services, they will be subject to the same regulators according to function, and they will be competing for the same customers.

The computer will totally change the practice of providing financial services. You will no longer wait for customers to walk through the door. In fact, extensive networks of brick and mortar outlets will be obsolete. Instead, providers will take advantage of the most modern technology in voice, data, and visual communications. A network of home terminals will be in place that will permit consumers to access information at any time of the day or night. Of course, customers will be able to transfer funds, purchase stocks or other investments, buy insurance, list real estate, and secure the most favorable mortgage terms, all without venturing from their living rooms.

By that time, many providers will be comprehensive financial intermediaries. Their biggest product will be information. They will be tied directly into a variety of computerized information networks and will have access to the latest research data instantaneously. Programs will be available that rank and rate potential investments based on risk, return, and a variety of other variables. Customers will need only a television and a home computer to have access to the same data available today only to Wall Street account executives.

Business and individual customers will be able to obtain tailormade lists of possible investment instruments on their home terminals while discussing the merits of these investments over the phone with their financial services provider. Possible investment alternatives will include stocks, bonds, mutual funds, time deposits, money market funds, pools of mortgages, business and consumer loans, gold and precious metals, and commodities.

In the future, some providers will become manufacturers for the marketplace. They will develop deposit and loan products, computerized services, and training products to sell or franchise. Others will become retailers, marketing those products and providing special services to meet the needs of one or more particular customer segments.

To be successful during this time of greatest opportunity, you will need to provide highly personalized, quality products that are backed with simple, straightforward financial advice. In return, the close communication between provider and consumer will help to increase the level of customer loyalty. Where customers typically went to a dozen different institutions to obtain financial services, they will depend on fewer, often only one.

In this fast-paced, competitive world of financial services, who will the real winners be? Naturally all providers will benefit from fair competition. But consumers and small businesses are the real winners. They will receive better products and services at more competitive prices and they will be able to use a more convenient delivery system.

Banks Are No Longer Different

By now you have probably noticed that in my entire description of the future of financial services I have never mentioned the word "bank." That is because, today, laws prohibit banks from developing along the lines I have just described. They are unable to offer the products and services that the public demands. The only way banks will be able to compete is with some fundamental changes in the legal structure governing their operations both in terms of the products and services they can offer and in terms of the geographic area over which they can be offered.

Those changes must come quickly. The future I have described is already upon us. The seeds of change have been planted, they have already sprouted, and it is just a matter of time before they bear fruit. If your elected officials don't treat this change with the sense of urgency that is required, banks will not be there when it is time for the harvest.

To participate in a free and competitive market and to provide maximum benefit to consumers and small businesses, banks cannot afford to be treated differently or more harshly than other providers. Banks are unique because of the important part they play in our payment system, because they are agents for monetary control, and because they provide a safe haven for deposits. But banks have lost uniqueness in terms of the services they can provide to the public.

In fact, there is no longer a single service or product line that is offered exclusively by commercial banks. Brokerage firms pay interest on idle balances and allow account holders to write checks on these interest bearing accounts and draw against them with a credit card.

Mortgage companies originate real estate and construction loans, place these loans with others, and service the accounts. Various types of finance companies make loans to individuals and businesses. Insurance companies sell policies with premiums that accumulate and earn interest and they make commercial loans.

Federal thrift institutions can make commercial, consumer, and mortgage loans, provide checking accounts, and accept time and savings deposits. Federal credit unions take time and savings deposits

[illegible]

System Is Balanced Against Banks

[illegible] companies can operate with [illegible] and product restrictions than banks. They have helped to make the marketplace more competitive on a national basis and more innovative in terms of products and services. But imagine how much more competitive and innovative the marketplace could be if banks were also allowed to compete.

Furthermore, consumers of these financial services have shown that they have no special allegiance to banks. In fact, they couldn't care less if the provider is a bank, a thrift, an insurance company or a full service securities firm. What they do care about is that the provider they use can give them the products and services they want at a competitive price. If banks can't offer those products and services competitively, they'll simply move their account down the steet to someone that can.

The antiquated legal structure that was originally designed to protect banks and their customers no longer works. These barriers to competition only serve to deprive the public and business community from the benefits of a free and competitive marketplace.

Needed Legislative Changes

So, what needs to be done for banks to be responsive to customer demands? Banks must be free to compete on the basis of price; they must be free to offer the same products and services as other providers; they must be able to compete over the same geographic area; and they must be regulated by function rather than by charter.

Legislation is now being considered that would address [illegible] of these areas and allow banks to compete with Sears, Merrill Lynch, American Express, and J.C. Penney. There are proposals to provide bank holding companies with new powers in insurance, real estate, and securities. Another proposal would allow banks to [illegible] corporate checking accounts. Yet another [illegible] federal [illegible] on a regional [illegible] interstate banking by endorsing the right [illegible] interstate banking [illegible]

[illegible] tions. The recommendations made by this task force will be put into the form of legislation and introduced into Congress soon.

Management Challenge

As you can see, these changes will have a dramatic impact on each of you. You will have to learn how to develop and market new products. At the same time, you will have to learn to be low cost providers. And through all of these changes you will have to maintain controls over credit quality and learn how to integrate the new powers of the bank holding company with those of the bank, so that you have a coordinated marketing effort.

The use of the computer will require different skills and new ways of thinking about traditional ones. That will make the human resource management task more varied. Instead of having a banking community that consists of people who are bankers in the traditional sense, there will be many others with different skills. The industry will require more kinds of talent than it ever has in the past. That includes more people that are expert in data processing, securities, real estate, and in other new products and services you may offer or new technologies you may use. This new blood in the banking industry will change even the role and perspective of the traditional banker.

Even with the razzle dazzle of technological and market innovation, the fundamentals of banking will continue to matter a great deal. That fact is illustrated most clearly by looking at the reasons behind the recent problems in the industry. The vast majority of bank failures in the past few years were caused not by problem foreign loans, which have attracted the most media attention, but by domestic loan losses.

The fundamental, recurring reasons for these problem loans can be read straight out of the *Comptroller's Handbook for National Bank Examiners*. They include excessive concern about providing income, compromise of credit principles, complacency about supervising loan performance or obtaining credit information, poor selection of credit risks, self-dealing, and overlending.

In addition to these pitfalls, there is no substitute for the basic principles and processes of commercial lending. You probably know these principles and processes better than I do. They include weighing risk against reward, diversification, ensuring adequate collateral, maintaining internal controls, asset and liability management, credit review and loan approval processes, and profitability measurement. In light of the importance of domestic lending and the additional

risks involved in making commercial loans, these things become particularly important. They are the things that well-managed banks will have to continue to do well.

When change comes you must also be prepared to deal with competition. You must learn to provide the very best products, at the lowest price, and in the most convenient fashion to your customers. And you must preserve high asset quality. The challenges you will face are enormous, but I am confident that you will be equal to the task.

Conclusion

In conclusion, we can see that two things must happen if we are going to have strong banking institutions in the future. First, we need a modernized legal framework for the banking system. Second, the importance of the fundamentals of banking must continue to be stressed.

The forces of the market are moving us toward a modernized banking system, and these forces are difficult to stop when they have gained momentum. The legal framework governing the banking system has got to catch up with the marketplace. Yet the public has benefited greatly from the modest degree of modernization that has already taken place. So their voice will have an important effect on what action Congress takes.

And I believe that banks have learned their lesson on the importance of stressing fundamentals. We will see much higher asset quality in the future.

Therefore, I cast my vote in favor of the marketplace and answer the question—"Is There a Future in Banking?"—with a "yes". When the dust settles, we will have fair competition and strong institutions and the brightness of the future of banking will be limited only by your desire and ability to succeed.

Statement of C. T. Conover, Comptroller of the Currency, before the House Committee on Banking, Housing and Urban Affairs, Washington, D.C., June 12, 1984

Mr. Chairman, members of the Committee, I am pleased to present my views today on H.R. 5734, the Financial Institutions Equity Act of 1984. These views are my own and not necessarily those of the Administration. I strongly object to the overall thrust of this bill. It represents an attempt to turn back the clock in a way that would weaken the banking industry and be detrimental to consumers.

Provisions of H.R. 5734

The bill closes the so-called "nonbank bank loophole" by redefining bank, for purposes of the Bank Holding Company Act. I favor clarifying the definition of bank and I consider the new definition in H.R. 5734 an acceptable one. However, I am concerned that it does not provide appropriate exceptions. More importantly, I strongly oppose adopting a new definition of bank without at the same time updating our banking laws in a more comprehensive fashion.

I also oppose the bill's prohibition on tandem operations, defined as cross-marketing of products by holding company affiliates. Clearly there is a need to prevent tie-in sales. But this sweeping prohibition of joint marketing efforts would impose unnecessary costs on banks and consumers alike, inhibit product development, and deny consumers one-stop shopping. Do we want to say that a bank teller can't sell travelers' checks?

H.R. 5734 prohibits discount brokerage by depository institutions. I strongly oppose this prohibition. This activity has greatly expanded consumers' access to discount brokerage services. It poses little risk to banks and provides a source of fee income. I can't imagine why anyone would be opposed to this development except securities firms, who just don't want the competition.

The bill expands Section 21 of the Glass-Steagall Act so that securities firms could not engage in deposit-taking through their affiliates. I do not support this measure because it would bar ownership of consumer banks by securities firms. I see no public policy concerns when a depository institution that does not make commercial loans is owned by a securities firm.

Problems With the Bill

The main difficulty with this legislation is what it leaves out. It does not adequately address the long-term viability of the banking system. Because of market innovation and the impact of new technology, there is no bank service today that is not offered by a [illegible]

ing, [illegible] computer. Merrill Lynch of [illegible] is establishing [illegible] Prudential Insurance [illegible] make commercial and [illegible] American Express and General Electric [illegible] Sears and Control Data accept [illegible] through thrift subsidiaries. All of these firms are engaged in the business of banking—[illegible] bank charter. And these are only a few examples of the vast number of nondepository firms that now offer banking services.

If the legislation is enacted, consumers will be able to obtain the full range of financial services only through such nonbank providers. That means banks will permanently lose customers—a clear threat to the long-term viability of the banking system.

Moreover, H.R. 5734 hurts consumers. The required divestitures would disrupt financial services for many consumers. In addition, institutions would incur substantial costs that would be passed on in part to their customers.

Finally, no one really knows the extent of divestiture that would be required and the degree to which that divestiture would disrupt the markets. Even conservative estimates, however, indicate that this bill's provisions would cause considerable problems over the next 2 years. For example, there are at least 130 nonbank banks across the country and some 1,200 industrial banks in 21 states. In addition, there are some 2,000 banks with discount brokerage services. It's not at all clear how many of these operations would have to be divested under the terms of this bill.

Conclusion

Mr. Chairman, it is not possible to go backward. It would be a mistake to try. What we're talking about here is a race to see who can do the best job of serving the financial needs of the American public. But this bill says to banks: "You're so important to us that we're only going to let you drive a Model T that's been thoroughly road-tested. Everybody else can drive a 1984 Thunderbird." That means the race to serve is not as competitive as it can and should be. And in that kind of race, the big losers aren't the banks—the losers are American consumers.

Congress now has a unique opportunity to enact broad-based financial legislation that serves the needs of the American public. That is why I have imposed two moratoriums on chartering new nonbank banks—to give Congress time to deliberate and to act on these important issues.

I know that many members of Congress are unhappy with current law, but as a federal regulator, it's my role to enforce that law unless Congress changes it. I cannot extend the moratorium on nonbank bank charters indefinitely. To do so would amount to a regulatory change of law and would unsurp the role of Congress.

I urge you to act on these issues in a comprehensive manner. In doing so, Congress can assure that the American public has access to the widest array of financial serices at the lowest possible prices.

Remarks by Dean E. Miller, Deputy Comptroller for Trust & Securities at the Southeast Trust School, Campbell University, Buies Creek, N.C., June 12, 1984

For the Trust Division of the Office of the Comptroller of the Currency, the key word for the past few years has been "adaptability." Faced by constantly mounting assets in trust departments, steadily increasing matters of concern which should be the subject of supervisory scrutiny, and manpower which could not be expanded correspondingly, we have had to reexamine our procedures, in the process reevaluating our priorities in examination time and emphasis. Problems [illegible] which relate to possibilities of [illegible] more remote have been given lower [illegible]. The process is a continuing one.

[illegible] time, and all indications are that this process has not abated. Accordingly, some of the "developments" which I wish to discuss today are things which I think are going to happen. Others are here and accepted as a part of the scene, yet not fully comprehended. The implications of the developing interplay of conflicting statutory schemes administered by diversely oriented regulators are not readily appreciated. New progeny of these matings are continually emerging, often to our surprise—often to our chagrin. Thus the picture which I shall try to paint of the regulatory panorama may appear disorganized. While I would maintain that the activities of my Office could not accurately be so labeled, I must admit that the accusation may quite validly be leveled at the combination [illegible] which have created the current regulatory framework, and my discourse can in large part only

reflect that lack of organization

I have a confession to make to you at this point. The words which I have just spoken were taken from my remarks before this school on June 27, 1973. I took the text from that occasion out the other day, decided that this part had some continued relevance, and decided to use it. As I read the text once again, two things became quite apparent to me.

First of all, my prose was awful. I couldn't believe some of the phrases I used. "The implications of the developing interplay of conflicting statutory schemes administered by diversely oriented regulators are not readily appreciated. New progeny of these matings are continually emerging, often to our surprise—often to our chagrin." "Chagrin" is a pretty accurate word for my reaction as I read this text. I was tempted to ask Norman to supply me with a list of the attendees of that school 11 years ago so that I could call them up and apologize.

The second thing which occurs to me is that the message which I was burying in that horrible prose does have continued relevance today. The factors which I touched upon then have continued to influence the corporate fiduciary world. The business has continued to change in a number of very important respects, but at an accelerated pace. The events which were affecting the responses of my Office in 1973 have continued and intensified. And I expect that we continue to appear to be disorganized, at least to unsophisticated outsiders.

First, let's review where the trust business is going. Really, we have to begin by redefining the business. It's no longer comprised of what used to be connoted when we thought of a trust department. It used to be that banks had clearly defined trust departments, which performed clearly defined trust services, through clearly identified trust personnel. The competition—using that term in its broadest and most generic sense, because there wasn't much of it otherwise—came from other trust departments and individual fiduciaries. Profit was a somewhat foreign concept—almost to the same degree as it is for those of us who labor in the government. The comparison can go on and on. The point is that things were quite different then.

Now, by contrast, the business has to be more broadly defined because its boundaries have been extended. Currently we at the OCC call it the fiduciary business, and that term is strained sometimes to cover some of the products and services being offered at banks or their affiliates. I have spent much of my time over the years dealing with the question of "new" vs. "old" fiduciary activities. Rather than continuing that inquiry, however, tonight I wish to describe the new structural environment in which these "old" and "new" fiduciary services are being offered.

The words most often used to describe this new structural environment are "integration" or "synergy." Fiduciary products and services are now increasingly being offered by banks in combination with other non-fiduciary, products and services, and with some that might better be characterized as "near fiduciary." The idea is to bring a targeted customer group the maximum number of products and services of the enterprise. The motivation is to maximize the profit which can be obtained with the combined resources of the institution. In this process fiduciary services have ceased being an elitist and oft arcane complement to the "real business of banking"—making loans—and become truly one of a group of financial services being made available by a financial institution in order best to provide a return for its shareholders.

So viewed, integration of fiduciary and other financial services is logical, sensible in concept and, indeed, straightforward good business practice. Like any other human endeavor, however, the execution of this well conceived strategy has in some cases failed to result in the hoped for benefits.

First, in view of how I have described it, one might expect to find all of our banks integrating their services. Why would any bank not want to maximize the profit which can be obtained with the combined resources of their institution? Yet as you know, integration isn't taking place everywhere and where its being tried, the results have been mixed. Why? The answers I have found to this question are quite interesting to me, and I think, pose a challenge to you. For one of the most frequent answers has been that the banks' supervisors—in your case that's me, I guess—have been said to be preventing it.

The truth is that the OCC, and I believe, the other bank supervisors, have not interposed objections to the integration of those trust department functions into those of other divisions of banks. True, we have pointed out that the trust laws and regulations are still applicable to fiduciary functions, wherever a bank chooses to perform them. But we have spent much more time, I believe, correcting misguided souls who have from some unknown source received the misconception that we have a law or regulation—perhaps called the "Chinese Wall" rule—which requires that fiduciary functions be performed only in trust departments by trust personnel and, further, that the [illegible]

[illegible] Now, turning to [illegible] what they're doing.

[illegible] a useful clue to the [illegible] of many of the [illegible] successfully integrate trust and other bank functions. Some have — a [illegible] believed — and some still believe — that there are insuperable legal and regulatory obstacles to integration. Who were those persons and why did they believe this?

My observation is that for the most part, they were the persons charged with the management and planning of banking operations. And in many cases, I think, they believed this, and perhaps still believe it, because they were told that this was so by the trust personnel in their organizations. And therein lies a large portion of the problems, past and present, with the bank trust departments. Historically, they have been regarded as stodgy, poorly performing, unimaginative and highly unprofitable champions of the *status quo*—in many cases, quite accurately. Perhaps this was a necessary corollary to being a part of a bank. Or perhaps this historical image resulted from the types of persons running trust departments. I personally believe that analyzing the root cause is like one of our classic chicken-and-egg problems. Did the image result from the people, or were the people the products of their institutional image? I don't think the question is susceptible of empirical analysis. If the truth were known, I think that both contributed to the other, so that the situation fed upon itself over the years. Persons who were stodgy, poor performing, unimaginative champions of the *status quo* gravitated to the banks' trust department or were assigned to them or were developed by them. In turn, those persons "moved"—if that is a proper word—their trust departments ever further along the road they were traveling.

Of course, there have been exceptions. There have been bright, innovative trust department executives who have in greater or lesser degree managed to avoid the stigmatic image held by most of their brethren. And from time to time, we have observed bank managements which decided to shake up their trust departments, improve the image, develop performance [illegible] try to become profitable. But [illegible] management [illegible]

[illegible] trust department managers, and for aspiring managers. Attempts to change trust departments have often encountered a significant amount of negativism from trust department personnel, perhaps more so than in any comparable situation. Changes in products, techniques, operations, pricing—many of the areas where innovations might profitably be explored—have often run aground upon the rocks of such things as the law of trusts, with its unique set of duties, responsibilities and potential liabilities, or the regulations, interpretations, edicts and whims of the bank supervisors (enforced by those unreasonable and overzealous bank examiners I hear so much about), or the local judicial systems with their judges (always portrayed as egocentric, corrupt and or unreasonable); or the prevailing inflexible, legally-mandated fee schedules preserved by the greedy bar associations—and numerous other rationalizations with which some of you may also be familiar. As a member of an agency which has, over the years, endeavored mightily to get trust departments to innovate, to offer new products, to become profitable, and generally do a better job for the public and particularly, their beneficiaries, I am quite familiar with this attitude.

Occasionally it has been very frustrating. When our office first proposed to amend its trust regulations to remove impediments which to our analysis had no basis in safety and soundness, and often only questionable bases in any other governmental concerns, we were taken to task by some bank trust people for not first working out and clearing our initiatives with all other government agencies which might possibly be interested. It was hard to root out the idea that the regulations of the OCC should specifically prohibit all activities that might also require compliance with the laws or regulations enforced by other agencies. Again, we upon occasion have been asked to bury proposed relaxations of regulations in volumes of minute details as to proper means of operation under those proposals. Further, in the same vein, we have often observed cases where innovative banks have had their new operations copied slavishly by the herd, so that a new norm has been quickly set and regarded by them as the new limit of permissibility.

I am here tonight to challenge you to break this mold. After all, bank fiduciary operations, like all other bank products and services, must supply a response to a public need. If the system is working right this response must be tailored to the need or demand, and it should be offered at a price which is calculated to return a profit yet is attractive to the potential users. Perhaps integration is just another fetish which will be history tomorrow—I make no representations on that. There is some evidence, though, that bank trust departments have needed to innovate in their product

lines in order to respond to the changes in demand for their services; and to recognize that what they are offering is but one element of a group of financial products or services which their bank offers, all of which may be needed by significant segments of its present and potential customer base. Logically and legally, those products and services can be offered together. But it doesn't have to be done on an integrated basis, and perhaps time will show that separate fiduciary structural compartments work best—if not universally, at least in individual cases. But integration does seem to be the solution of the moment.

The result is that the walls—both real and figurative—which have separated banks' trust departments from their other activities have been breached. In some cases they have been completely dismantled. Thus it is that in given banks we can find fiduciary services being offered at diverse locations; often in connection with non-fiduciary products; and often by "non-fiduciary" persons. There is nothing in any of this which is precluded by banking laws or regulations; nor should there be. Rather, those laws and regulations should facilitate this process of response to public demand, to the maximum extent that it can be accomplished consistently with basic public policy. That has been our approach at the OCC over the years, and it is our present view. For our trouble we have been often characterized as round heeled tools of our regulatees but that's off the subject.

Of course there is a flip side to this coin. It is that the laws and regulations which were in place before this phenomenon began still apply. National bank fiduciary activities, whether they are being conducted in a loan, investment or janitorial department are still subject to 12 USC 92a and 12 CFR 9. And regardless of whether they are being offered and administered by loan officers, investment officers, or janitors, those persons are subject to 12 USC 92a and 12 CFR 9. And regardless of how the bank or the bank's marketing people characterize the service, it will be supervised by us and examined by us as a part of the fiduciary segment of the examination of this Office.

Separate books and records must be maintained for fiduciary accounts. The assets of fiduciary accounts must be kept separate from those of the bank. Funds of those accounts which are awaiting investment or distribution must be invested so as to achieve the maximum rate of return, taking into consideration all applicable factors. If trust funds are on deposit with the fiduciary bank, they must be protected by a pledge of securities suitable to our Office to the extent that FDIC insurance coverage is exceeded. Investments involving self dealing or a conflict of interest are not permitted unless specifically authorized. The sole return received by the bank should be its fee, unless other recompense is specifically authorized. And so it goes. These considerations (and others—that list is not exhaustive) apply wherever, or to whom, a bank's fiduciary services are being offered and performed. And any relationship where the bank is exercising investment discretion, or on which it is giving investment advice is a fiduciary relationship.

The implications of this have been very interesting. It used to be when our examiners went into a bank they went to the Trust Department, and started to work. Now the first thing we must do is hunt for the "trust department"—that is, find out where fiduciary activities are being performed—and then examine it. In the process we have met some new and interesting people in the banks.

On the basis of our experience in the supervision of banks which have integrated some or all of their trust functions with those of other divisions of the bank, and our discussions with bankers contemplating such a step, we believe that the principal problems to be faced are organizational. Present structural safeguards which were erected to ensure that laws and regulations are complied with may require modification to work in an integrated format. If a trust committee exists, its area of authority may need broadening, or perhaps it is no longer appropriate. If fiduciary activities are being directed or performed by persons who are not experienced in the law of trust, procedures should be established, and perhaps training conducted to avoid mistakes. Officers schooled in bank lending or investment activities may not understand why an ostensibly beneficial transaction may involve a prohibited conflict of interest or self dealing. Traditional marketing people may not be familiar with the limitations on promotion which exist as to common trust funds.

The key to these organizational problems, therefore, is personnel. I firmly believe that the adaptation of a bank's Trust Department to today's needs—whether or not it requires integration of the institution's fiduciary services—will work out best if it proceeds from the fiduciary department. Ideally, the initiative, the inspiration, the guidance and counsel should come from the trust department. As I have observed, this would require a new orientation of many trust persons. This is your challenge. You are in a unique position. You have a golden opportunity. In many respects your business is actively providing the nucleus for a reconstitution of the business of banking. You can seize this opportunity and take yourself and your institution to the top. Or you can watch yourself increasingly being involved in a backwater with a very uncertain future. The choice is yours to make. And you should make it right now.

Statement of Robert B. Serino, Deputy Chief Counsel (Operations), before the Subcommittee on General Oversight and Renegotiation of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., June 20, 1984

I am pleased to appear before this Subcommittee once again to discuss the experiences and views of the Office of the Comptroller of the Currency (OCC) regarding our ongoing efforts to enforce the Bank Secrecy Act (Act) within the national banking system. Accompanying me is Chief National Bank Examiner John E. Downey. My testimony will focus on our current activities since, as you are aware, we have testified on this subject several times since 1980 as part of this Subcommittee's regular oversight hearings on the Act.

The statutory mandate of the Comptroller is to assure that the 4,700 national banks operate both in conformance with safe and sound banking practices and in compliance with all applicable laws, rules and regulations, including the Bank Secrecy Act. The Act and applicable regulations require, among other things, that banks obtain and preserve certain financial information and file certain reports regarding large cash transactions. The legislative history of the Act emphasizes the purpose of these requirements is to facilitate the investigation of narcotics trafficking, tax evasion, and other "white collar" criminal activities.

The OCC shares the concern of the Subcommittee and law enforcement officials regarding the potential for criminal abuse of our nation's financial institutions, especially through the handling of funds obtained in illegal activities. We welcome the continuing interest that this Subcommittee has shown with regard to the implementation and effectiveness of the Act.

Examination Procedures and Compliance Monitoring

Responsibility for monitoring the compliance of national banks with the requirements of the Bank Secrecy Act has been delegated by the Secretary of the Treasury to the OCC. We discharge that responsibility as part of our general supervision of the national banking system.

Because of the sheer number of daily deposits and withdrawals taking place in these banks, our examiners cannot routinely review all bank transactions. [illegible] more on a [illegible] internal control procedures [illegible] representative [illegible] instructions to the national banking industry through the issuance of various Banking Circulars, Bulletins, and letters, all of which are designed to foster bank compliance.

When we testified before the Subcommittee in 1982, we described our development and successful implementation of a two-module approach to the Bank Secrecy Act portion of our standard examination procedures. All national banks are periodically examined for compliance with the Bank Secrecy Act under the first module, which entails evaluation of the adequacy of internal control procedures. If appropriate operating and auditing standards are not in place, or if the bank has been targeted for more extensive BSA examination for any other reason, the more elaborate verification procedures of module two are performed.

Subsequent to that testimony, OCC has continued to improve the sophistication of the Bank Secrecy Act examination process. During the past year, we have started receiving from the new Treasury Financial Law Enforcement Center (TFLEC) computer-generated reports that identify banks that may warrant special examiner attention for compliance with 31 CFR 103. Using statistical methods of analysis, TFLEC's computers identify anomalies in information obtained through the Bank Secrecy Act and from other available sources. While those statistical anomalies can often be explained away on the basis of information not available to the Center's analysts, the approach nonetheless offers us a new and promising tool to focus our compliance efforts.

This type of assistance is particularly helpful today. Banking and bank regulation are both undergoing rapid change. Increased regulatory responsibilities, broader financial industry activities, and the stresses of the financial problems of the past few years have combined to demand that OCC allocate its limited resources as carefully and intelligently as possible. Obviously, any tool that permits us to focus those resources on solving real problems, rather than surveying thousands of properly operated banks in an attempt to discover problems, is extremely helpful.

We continue to solicit other forms of assistance from the law enforcement agencies. For example, we would like to improve the coordination of our efforts with them. Already, when we are asked to do so by

the Internal Revenue Service or the Treasury, on behalf of a law enforcement agency conducting an investigation involving a national bank, we normally suspend the Bank Secrecy Act portion of our examination process. In that way, we avoid uncoordinated dealings that may damage the efforts of either agency. In addition, when requested we endeavor to provide expert assistance to the investigators. Such assistance has included the use of OCC examiners as agents of the grand jury to assist United States Attorneys in the preparation of their cases.

If these forms of OCC cooperation are to be used effectively, however, we need reliable and timely reports of the initiation of such investigations. We also need termination notification to enable us to resume Bank Secrecy Act examination procedures. Finally, if we are to improve our contribution to the enforcement effort, we need the opportunity to learn in some detail whether and how information obtained from OCC was used in the investigation, and with what results. In some respects, of course, the requirements of grand jury secrecy will limit what can be accomplished in this area. On the other hand, the Supreme Court's broad interpretation of the requirements of Federal Rule of Criminal Procedure 6 in the *Baggott* and *Sells Engineering* cases last year made the grand jury limitations worse than we are persuaded they need to be. And, beyond the grand jury requirements, the OCC continues to encounter situations in which the law enforcement community fails to share information with the OCC regarding officers, directors and employees of national banks. This lack of communication can have a significant impact on the OCC's ability to supervise those banks under its jurisdiction effectively.

It is also important to recognize that law enforcement agencies and bank regulators can only provide a small part of the solution. The attitude and self-policing efforts of the banks are crucial to compliance with the Bank Secrecy Act. No amount of regulatory supervision works as well as a bank's internally monitored procedures.

One of the questions raised by the Subcommittee is whether we believe a code of ethics for the banking industry would aid in preventing problems such as money laundering. While my 13 years with OCC and 2 years with the Department of Justice have been spent working primarily with problem banks and bankers associated with them, I am convinced that the overwhelming majority of bankers are inherently honest. I believe the problem with the industry is that a few individuals or bank problems become so highly visible that the industry is tainted by their errors. In the bank secrecy area, what we have usually encountered has been a corrupt branch manager who, without the knowledge of the management or the board of directors, has engaged in a personal scheme or accepted a bribe to launder money through his branch. If, in fact, this information were brought to the attention of management or the board of directors, the individual would be fired and the matter would be reported to the law enforcement community.

Notwithstanding the fact that corruption is rare, I believe as we move into a more deregulated climate that the industry will be required to create certain self-policing mechanisms. One such mechanism could be a code of ethics and an association of bankers that could censure or reprimand a member for violation of one the standards. The benefits of such a code would be to alert the banking industry to the types of practices which, while not violating any specific law, discredit the individual and the industry. Such a code probably would not deter a dishonest individual from illegal practices; nevertheless, it would set standards for the person desirous of not only staying within the law, but also conforming his conduct to the high standard of morality expected from our nation's bankers.

While I have indicated my support for an overall industry code, I would like to point out that the banking industry itself has recognized the problem and, over the past several years, a large majority of banks and associations have created codes of ethics or professional responsibility for their employees. Additionally, my experience has shown that in a large majority of problem bank situations where we have identified personnel problems, the board of directors has taken action and, in fact, performed the function of a censuring board or association.

OCC's Role in Interagency Actions

Since our 1982 testimony, the OCC has also continued its efforts to assist the Treasury Department and the Department of Justice in investigation of problem situations. We regularly report all violations of the Act, no matter how technical in nature, to Treasury. In part as a result of the attention that the Bank Secrecy Act has received over the last few years, we believe that banks are focusing their attention on the problem.

We have added Bank Secrecy Act compliance and related topics to the topics covered in our training school for senior examiners. In fact, as part of the course, we have had representatives from the Customs Service give a presentation on the various efforts being made to detect laundering activities in the nation's financial institutions.

[illegible] works closely with the United States [illegible] law enforcement personnel [illegible] about which this subcommittee has [illegible] over the years [illegible] across the United States [illegible] to avoid the law enforcement efforts. The OCC, through its Enforcement and Compliance Division and its six District Offices, responds to both requests for documents and examiner assistance, as well as provides technical assistance to various law enforcement agencies. In addition, the OCC has worked closely with various task forces which are investigating money laundering activities across the country.

In addition to focusing on domestic laundering activities, this Office has had contact on a continuing basis since 1978 with principal officials of various countries which issue offshore bank licenses. We undertook these efforts because our experience showed that such offshore bank licenses were frequently being used as vehicles to perpetrate fraud on the general public and possibly to launder dirty money. While we have no jurisdiction over these shell banks, because of our concern for the public, we have expended a great deal of effort to assist these governments in enacting stronger laws, regulations and administration over offshore banking.

Continuing Impediments to Effective Use of Bank Secrecy Act Information

At this point, our primary problems with making the Bank Secrecy Act more effective do not concern the Act itself. Rather, other laws, which may have been enacted without consideration of their potential effect on criminal, drug traffic and money laundering problems, now constitute the major constraint on our efforts.

These barriers—the Privacy Act of 1976, the Right to Financial Privacy Act of 1978, state privacy acts, [illegible] secrecy rules, as well as the procedures of various agencies—limit cooperation among federal [illegible] and law enforcement officials.

These statutes are designed to protect Congressionally [illegible] values. However, inadvertently or purposely, they may restrain government information-gathering and the free flow of information between [illegible] testimony and [illegible] the House Committee on [illegible] Subcommittee on Commerce [illegible] we supported [illegible] Department [illegible] that Department's ability to decide which of those referrals to pursue.

OCC reiterates its belief that these statutory barriers to interagency cooperation should be examined and consideration given to reducing impediments to law enforcement while protecting the important interests they were intended to preserve.

Another significant problem for law enforcement, and particularly criminal law enforcement in the drug area, is harassing *Bivens* litigation. Only this past week, OCC was served with a suit by an individual who is now incarcerated in federal prison for activities associated with the failure of several banks. That suit names the Comptroller along with several others, including the judge and the prosecuting attorney, in their individual capacities, and demands something on the order of $50 million in damages, half of it punitive.

We believe that over a dozen years' experience with the limitation of federal employee immunity from suit has shown that approach to be utterly ineffective in achieving its intended results, while devastating in its effect on vigorous enforcement of federal law. Over 10,000 suits have been instituted against individual federal employees since *Bivens* was decided in 1971, yet a grand total of five judgments have been paid, and only 18 others have produced even initial verdicts in favor of plaintiffs. By any measure, that is not a fair system of justice for the thousands of civil servants whose personal savings are placed in jeopardy. Nor is it an effective system for those many plaintiffs who tie up the judicial system and waste their own funds and those of the federal government.

The problem is not abating, it is growing more serious. New suits are being filed at the rate of 80 to 100 a month, up from 50 or 60 a year or two ago. The number of cases pending is on the order of 2750, up from 2500 in that same period. The Administration's Comprehensive Crime Control bill, H.R. 2151, contains a provision (Title XIII) that would restore the absolute immunity that has traditionally permitted federal employees to do an honest, vigorous job of enforcing the laws, whether they be the Bank Secrecy Act, the narcotics laws, or any other program thought important enough by Congress to justify legislation.

Conclusion

OCC's recent experience in monitoring compliance with the Bank Secrecy Act shows continued improvement in our ability to identify and correct violations, and generally good compliance by the national banks. [illegible] OCC does not have a continuing

presence in every national bank, and does not examine every account. Given the size of the nation's banking system, that leaves open the possibility that an occasional, determined individual may abuse a bank and violate the law. We believe that such persons should be dealt with to the fullest extent of the law. Therefore, we support any measures which would further facilitate enforcement, including enhanced coordination among the law enforcement agencies.

Remarks by C. T. Conover, Comptroller of the Currency, at The Consumer and the Financial Service Revolution A National Conference, Dallas, Tex., June 28, 1984

"The Customer Wins: A Megatrend in Banking"

While making notes for this talk, an interesting thought came to mind. We are in the dawn of a bright new world in financial services and the consumer is still in the dark. The reasons behind that sad fact are many. Never have so many developments, so many innovations, so much change characterized a field once considered dull and even stodgy. But bankers and consumers must understand the implications of these changes and the megatrend they represent. I've entitled my remarks, "The Customer Wins: A Megatrend in Banking."

A Megatrend Can Lead to Big Opportunities

During the last couple of years, we have all heard a lot about megatrends. They are being discussed in board rooms across the country. And they are a matter of serious concern to the banking community and to society in general.

Sometimes that concern is tinged with anxiety. Some businesses fear that it will be difficult to adapt to the rapid changes in technology and in the public attitudes that these megatrends represent. Others are unsure of their ability to measure up to the demands that will be made by the pace and scope of change.

In the banking industry I believe much of that uneasiness has subsided. Many banks are beginning to realize that change is a positive force that will allow them to operate more freely and competitively than they have in the past. Instead of standing still with their hands tied watching the world go by, banks will be able to affect their own future.

So this is not only a time of megatrends—it is also one of big opportunities. These opportunities will benefit everyone, but especially bank customers, if only banks have the courage, the confidence, and the vision to grasp them and make them real.

Yes, we are in the midst of a revolution in financial services. One of the driving forces behind that revolution is the banks' desire to provide better products and services at a lower price and more conveniently. The other is a willingness by bank customers to change when they see it will benefit them. But for the customer to win, these driving forces cannot be stymied by outdated restrictions. To provide the full range of services to consumers on reasonable terms, we desperately need to modernize the legal structure governing financial services. We need deregulation.

What is Deregulation?

"Deregulation," "modernized legal structure"—what do these buzz words really mean? What is the bottom line? I would like to tell you a little story that describes the process pretty well.

Once upon a time, before the invention of the automobile, an industrious young Texan wanted to sell some of his newly invented barbecue sauce. He poured it into bottles, loaded the bottles into his wagon, hitched up the horse, and headed into town. About half way there, he ran into a washed out spot on the trail. The wagon overturned, and while the young Texan and his horse escaped injury, the whole wagon load of barbecue sauce was lost.

A similar situation happened about 50 years ago to the American banking system. And the country's leaders settled on a solution that would greatly reduce the risk of losing any more barbecue sauce. Their solution was to put the horse back into the barn and have the young Texan pull the wagon into town himself. They were so proud of that solution that they decided everyone would be infinitely better off if the government did all the strategic planning for the barbecue sauce dealers.

So they developed a whole raft of laws and regulations to govern the barbecue sauce business. They told the young Texan the price he could charge for

[illegible] When he got to town he could park his wagon, and they put strict limitations on other products that he could sell. In a magnanimous gesture, they set the price of barbecue sauce so that he could still make a fair profit.

The end result was that fewer bottles of the sauce were lost. But supply went down and the added transportation costs greatly increased the price of the few bottles of sauce that were available.

The process of putting the horse back in front of the wagon is called deregulation. Included in this concept are the ideas of letting supply and demand determine the price of barbecue sauce, letting barbecue sauce dealers sell chili and hot peppers, and letting them park their wagons whereever they want. The net result will be more sauce available to customers at a better price and at more convenient locations. The issue is not barbecue sauce dealers versus other sauce peddlers, nor is it Republic, Texas Commerce and InterFirst versus Merrill Lynch. At issue is whether or not customers should be allowed to receive the best products and services, at the lowest price, through the most convenient delivery system.

Consumers Have Benefited

That is why modernizing the legal framework governing the banking system is a consumer issue. If you doubt that assertion, just look at the results from what has already been done.

Probably the most notable of these changes has been the removal of interest rate ceilings on consumer accounts. Bank customers can now receive market interest rates on their insured accounts. From the number of customers that have flocked to these new accounts, it is obvious that consumers count this as a considerable benefit, as they should.

There have been other, more subtle, changes that have also benefited bank customers. For one, consumers can get insurance and other financial products more conveniently because banks can lease space in their offices to insurance agents, realtors, and other providers. Consumers can also obtain flexible individual retirement accounts (IRAs) since banks are permitted to operate common trust funds for the collective investment of IRA contributions. In addition, people of moderate means can now establish trust funds and reap benefits once limited to the very wealthy. Why? Because some banks now offer simplified trust services, known as plain English trusts. [illegible] stocks and [illegible] [illegible] offer [illegible] [illegible] they want to obtain investment advice close to home, they can now get it from their local banker.

Additional Benefits Yet to Be Gained

In spite of all these benefits, some people who should know better assert that deregulation has gone far enough. I do not agree. I think there is still a long way to go before all consumers receive the full benefits that are possible from modernizing the banking laws.

You can bet that consumers want cheaper insurance rates and more flexible insurance products. I think consumers would also like to pay lower brokerage fees the next time they sell their house. I believe they are interested in seeing additional sources of mortgage money and cheaper mortgage loan rates. They would like to see new accounts that combine elements of securities services, insurance, and traditional bank credit. And I think they are interested in seeing their local banks become strong enough to compete in terms of products and services with the large banks and financial conglomerates. The only way that customers will receive these benefits is through further modernization of the legal structure.

Besides bringing considerable benefits to the consumer, this modernization will allow banks to produce additional income to offset earnings lost by paying market rates of interest. Translated into consumer terms, that means the level of service fees can be kept down.

The subject of higher service fees is helping to foster consumer reluctance to further modernize the legal structure governing banking. But when banks can offer the same products and services as their competitors, they won't have to rely totally on repricing to recover their lost earnings. It's clear that the way to combat higher fees is increased competition. To provide a full range of services to the public on reasonable terms, banks must be strong, well-managed, and profitable. So banks need broader product powers and the ability to offer them over a wider geographic area. And Congress should proceed with these necessary changes now.

Congress needs to act positively. They cannot just enact narrow protectionist legislation, like some that is currently being considered. If they do, they will weaken banks and hurt the consumer.

New Responsibilities for Banks and Consumers

With the privilege of being able to operate in a competitive environment comes some additional respon-

sibilities. They form the foundation for a new bank customer relationship.

Communication is the most important of these new responsibilities. Yet there are some banks that have not yet realized the importance of open lines of communication. Many consumers are confused by the new products and services. Consumer education is a very important element of the communications link and something all banks should be working hard at. Some of the ways banks could help to educate consumers include: presenting special seminars and short courses on financial topics; publishing short booklets, statement stuffers, and newsletters; establishing telephone hotlines; and giving speeches and presentations to local groups.

Besides educating the consumer about these new products and services, banks must also keep them informed and treat them fairly. There are instances where banks have raised their service fees and have not informed their customers of the change. There are cases where banks have used misleading information in their advertisements for Individual Retirement Accounts. And there have been instances where banks have taken unnecessarily long times to clear checks.

There are three basic problems with these kinds of actions. First, they can hurt consumers financially. Second, they can turn them off to the concept of modernizing the banking structure. Customers see these actions as a direct result of the changes that have taken place rather than as poor management practices. Thirdly, I believe that these types of practices end up having a negative effect on the bottom line.

But banks aren't the only ones that will gain new responsibilities from a free and competitive marketplace. Consumers also have new responsibilities. Interest rates and service charges will vary from institution to institution, as will the quality and variety of products and services that will be available. That means to get the best deal consumers will have to be willing to shop around, as they do for other kinds of products and services. I don't think the shopping around itself should present a problem, it will just take a little time before consumers realize that necessity.

Conclusion

The revolution in financial services has the possibility of benefiting both banks and consumers. But it is important for a mutual dialogue to be set up now. Consumers need to be educated about new products and services. They also need to be kept current on bank interest rates and service fees so they can make informed financial decisions. With the power to compete, banks also get the responsibility to educate and inform. And with the ability to receive better products and services and cheaper prices, consumers are going to have to shop for the best deal. It means a little adjustment for everyone, but the rewards will be significant.

It's time for us to shine the light of knowledge, so all can see this bright new world of financial services. It's time for Congress to put the horse back in front of the wagon by modernizing the banking structure. And it's time to put the benefits into the pockets of the consumer.

Selected Rulings and Correspondence

Bankers' Bank

Order of the Comptroller of the Currency Concerning Westnet Bank, National Association

February 15, 1984

Organizers have filed an application to charter a bankers' bank to be called Westnet Bank, National Association (Westnet). The voting stock of Westnet will be owned by 20 banks, each of which will own 5 percent. Among the proposed investors in Westnet are Valley National Bank of Arizona, Phoenix, Ariz., Wells Fargo Bank, N.A., San Francisco, Calif., and the Bank of Hawaii, Honolulu, Hawaii. The remaining seventeen investing banks are subsidiaries of United Banks of Colorado, Inc., a bank holding company.

Westnet will be engaged solely in the business of providing services to depository institutions and their officers, directors, and employees. Westnet's principal office will be in Denver, Colorado.

The Comptroller of the Currency has authority to charter national bankers' banks by virtue of 12 USC 27(b)(1). Such banks must be owned entirely by depository institutions and may only provide services to depository institutions, their directors, officers and employees. Pursuant to 12 USC 27(b)(2), the Comptroller of the Currency may waive or modify, by rule, regulation or order, any requirements normally applicable to national banks if such requirements are deemed inappropriate or irrelevant to bankers' banks. The Westnet application raises three such requirements.

I. Organizers

Title 12 USC 21 provides that national banks must be formed by five or more natural persons. Westnet's application lists the investing banks as organizers and is therefore not in compliance with Section 21. However, as noted previously, bankers' banks must be owned exclusively by depository institutions. The use of Westnet's shareholder depository institutions as organizers, therefore, is appropriate and consistent with 12 USC 27(b). Consequently, I deem it appropriate in this case to waive the requirement in 12 USC 21 that organizers of national banks be natural persons.

II. Composition of the Board of Directors

Title 12 USC 72 requires, *inter alia*, that at least two-thirds of the directors of a national bank reside in the state in which the bank is located or within 100 miles of the location of the bank's office for at least 1 year immediately preceding their election and during the continuance of their office. The purpose of this provision is to limit the management of a national bank to persons who live in the state or area in which the bank is located and who may, for that reason, be familiar with the community in which the bank does business. *See McKee & Co. v. First National Bank of San Diego*, 265 F. Supp. 1, 7 (S.D. Cal. 1967), *aff'd*, 397 F.2d 248 (9th Cir. 1968). The geographic requirements of Section 72 will not be met under Westnet's proposal since six of the eight directors will be individuals who are residents of states other than Colorado and who do not reside within 100 miles of the bank.[1]

Westnet, however, will be owned by and provide services to financial institutions in a number of states and will not do business in just one community or one state.[2] Moreover, Westnet may only provide wholesale banking services to depository institutions and may not engage in a general retail business. Consequently, the "community management" purpose behind Section 72's residency requirements is inapplicable. The maintenance of the geographic residency requirements would therefore provide an unnecessary obstacle to the chartering of Westnet. For this reason, I deem it appropriate to waive the geographic residency requirements of 12 USC 72 as applied to the composition of Westnet's board of directors.

III. Shareholder Voting Arrangement

Title 12 USC 61 provides, *inter alia*, that each shareholder of a national bank shall, when voting for directors, have the right to cumulate his shares and distribute his votes among the candidates as he sees fit. This cumulative voting requirement in Section 61 is intended to promote representation of minority interests on the board of directors. *See Capobianco v. First National Bank of Palmerton*, 380 F. Supp. 155, 165 (M.D. Pa. 1974); I.R. 7.4300(b), *codified at*, 12 C.F.R. 7.4300(b). As currently structured, Westnet's voting arrangement does not contemplate cumulative voting and is therefore inconsistent with Section 61.

However, the application of the cumulative voting requirement to Westnet is unnecessary. The 20 investing banks have voluntarily agreed on a voting arrangement which will facilitate the formation and operation of Westnet. To strictly apply the cumulative voting

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[1] According to the application, the proposed directors who reside outside of Colorado are directors or officers of the investing banks located outside of Colorado.

[2] Congress, by authorizing federal chartering of bankers' banks, clearly intended to facilitate the formation and operation of such banks on an interstate basis. *See* S. Rep. No. 97-536, 97th Cong., 1st Sess. 27 (September 3, 1982), *reprinted at* 1982 U.S. Code Cong. & Ad. News 3081 (hereinafter cited as "Senate Report"); Financial Institutions Restructuring and Services Act of 1981: Hearings on S. 1686, S. 1703, S. 1720 and S. 17[illegible] Before the Senate Committee on Banking, Housing and Urban Affairs, 97th Cong., 1st Sess. 651-52 (comments of Acting Comptroller of the Currency Charles Lord) (hereinafter cited as "Hearings").

requirement to what is essentially a business decision for the investing banks would needlessly reduce the flexibility available to banks in forming bankers' banks and would therefore frustrate one of Congress' stated intentions in providing for the federal chartering of such banks. I therefore deem it appropriate to waive the cumulative voting requirement of 12 USC 61 in regard to Westnet.

Order

In light of the preceding discussion and pursuant to the authority granted the Comptroller of the Currency by 12 USC 27(b)(2), it is hereby ordered that the requirement in 12 USC 21 that organizers of a national bank be natural persons, the geographic residency requirement for directors in 12 USC 72 and the cumulative voting requirement in 12 USC 61 be waived as to Westnet. This waiver shall only extend to the matters specified above. All other parts of 12 USC 21, 61 and 72 and all other provisions of federal banking law are fully applicable to Westnet unless provided otherwise by a future rule, regulation or order.

Doyle L. Arnold
Acting Comptroller of the Currency

February 15, 1984

Mr. Robert B. Pringle
Thelen, Marrin, Johnson & Bridges
Two Embarcadero Center
San Francisco, California 94111

Dear Mr. Pringle:

On May 26, 1983, this Office accepted the application to establish a new national bankers' bank with the title of Westnet Bank, National Association. After a thorough evaluation of all data available to the Office of the Comptroller of the Currency (OCC), we have decided to grant preliminary conditional approval for the proposed bankers' bank.

Preliminary approval for you to begin organizing is granted based on the information provided in the application and amendments thereto. The operating plan will provide a context for review at the preopening examination and major deviations from the plan or changes in the composition of the board of directors that the OCC has not approved may result in refusal to grant a charter. Moreover, the enclosed standard conditions must be met before the bankers' bank will be allowed to commence business. In addition to these standard requirements, this Office has found that you must fulfill the following condition in order to be in compliance with statutory and regulatory requirements:

> The directors must own qualifying shares in either Westnet Bank, National Association or in a company that controls the bankers' bank, in accordance with 12 USC 72.

The organizers will be issued an unrestricted charter by this Office. However, in order to comply with Section 404 of the Garn-St Germain Depository Institutions Act of 1982 (the Act), the bank will restrict its operations to those specifically authorized by the Act for national bankers' banks. The limitations will be clearly spelled out in the bank's bylaws, and the prior approval of this Office will be required to amend the bylaws to perform activities not authorized by the Act.

You may form a body corporate and begin organizing the bankers' bank as soon as you adopt and file with the Western District Office the Articles of Association and the Organization Certificate. Enclosed, for your information, is a copy of an order signed by the Comptroller which waives certain of the requirements of 12 USC 21, 12 USC 72, and 12 USC 61, all of which concern the organization of the bankers' bank. A check for $6,500 (payable to the Comptroller of the Currency) should accompany those documents.

As a body corporate you may begin operating as a business but you may not begin the business authorized to national bankers' bank until a charter is granted (see enclosed instruction for organization after preliminary approval in Section 2.3 of the *Comptroller's Manual for Corporate Activities*.

Doyle L. Arnold
Senior Deputy Comptroller for
Policy and Planning

Moratorium on Nonbank Banks

Statement by C. T. Conover

May 9, 1984

Today I am imposing a moratorium on nonbank banks that will cover all applications filed after March 31, 1984. The moratorium will run until the end of this session of Congress. During this time, we will continue to accept but not issue decisions on applications for nonbank banks.

Under present law, nonbank banks are definitely legal. Some members of Congress have already expressed

[illegible]

to me their displeasure with current law. Some members also support enactment of broad-based legislation to modernize the legal framework for financial services. However, under present law, I will have no choice but to proceed accordingly, unless Congress enacts changes by the end of the current session.

I am taking this action today for a number of reasons. First, I believe this is the best way to encourage Congress to enact legislation permitting banks to offer expanded services to their customers. The need for this legislation is critical. There is no financial product offered by banks today that is not also offered by other financial service providers. Yet banks are seriously handicapped in their ability to compete with those other providers because ancient federal laws prevent banks from offering the products their customers want. This restriction of competition is bad for the banks and worse for the American public. For the long term public good, it is essential that Congress enact a new legal framework under which all financial service providers can compete fairly to serve the needs of the American people.

Second, I am concerned that without this moratorium, Congress may focus on the interstate issue and enact narrow legislation to eliminate nonbank banks without addressing the competitive inequities in the financial services industry. The pressure for such action derives from the proposed interstate operation of nonbank banks. More than 200 applications for such banks have been filed with this Office during the past 5 weeks. Under our new expedited procedures, some of these applications would be acted upon within 2 months of their date of application. By guaranteeing that this Office will not issue decisions on these applications until the end of this session of Congress, we give Congress a reasonable time to enact broad-based legislation.

I have discussed these important issues with the chairmen of both the House and Senate Banking Committees. Senator Garn has personally assured me that he is committed to enacting broad-based legislation and will schedule a markup on his omnibus bill within a month. He has also assured me that he will neither ask for nor support any future extension of this moratorium.

Today's moratorium, which applies to applications filed after March 31, 1984, does not cover any applications for nonbank banks that were pending on March 31. It also does not cover most charter applications for national trust banks and national banks whose acquisition by a bank holding company across state lines is authorized by state law. I am therefore announcing seven decisions that cover all applications that were pending on March 31.

First, as has been widely reported, Dimension Financial Corp. filed applications for 31 banks in 25 states last year. Today, I have granted preliminary approval for four Dimension Banks, subject to specific conditions. The four bank locations will be selected by Dimension. The conditions I have imposed for final approval include acceptable capital, prior development of satisfactory strategies and operational procedures, and retention of acceptable management by the parent company and the individual banks. Future approvals of other Dimension Banks will depend on satisfactory operation of the first four banks.

The Office has also granted four approvals and two conditional approvals for nonbank bank applications that were filed before March 31. Two of these decisions are approvals for new banks. The other four permit existing trust banks to expand their operations to provide full banking services with the exception of commercial loans. Four of the six nonbank banks will be owned by bank holding companies; their operations will therefore require approval by the Federal Reserve Board.

The two new banks approved today are:

- Depositors First National Bank, to be located in New York City. Approval is conditioned on compliance with technical requirements relating to the Glass-Steagall Act. Depositors First will operate like an insured money market fund. It will not be owned by a bank holding company.
- Suburban Bank/Washington, N.A., Washington, D.C. Approval is conditioned on the new bank being a subsidiary of Suburban Bancorp, Bethesda, Maryland, a bank holding company. Suburban Bank/Washington will operate as a consumer bank.

The trust banks authorized today to expand their operations are:

- Bankers Trust Company of Florida, N.A., Palm Beach
- Bank of Boston Trust Company of Southeast Florida, N.A., Deerfield Beach
- Bank of Boston Trust Company of Southwest Florida, N.A., Sarasota
- Wilmington Trust Company of Florida, N.A., Stuart. It will not be owned by a bank holding company.

In conclusion, I believe the actions I am taking today — the approval of six nonbank bank applications, the

decision on the [illegible] applications, and the imposition of a moratorium on future decisions until the end of this session of Congress, are a constructive contribution to the legislative process that must be seen through to completion. The House and the Senate now have time to act on the pending legislation in an orderly manner. The issues are sharply focused and timely. The statutory framework of the banking industry clearly needs modernization to fit the realities of today. I urge the Congress to address these issues and enact the broad-based legislation that is so badly needed.

Of Note:

Charter Denials

For the 6 month period ending June 30, 1984, twenty applications for national banks were denied. The proposed banks were to be located in the following states:

California	3	North Dakota	1
Hawaii	1	Oklahoma	3
Kansas	2	South Dakota	1
Minnesota	1	Texas	7
Missouri	1		

The decision to grant or deny a national bank charter is not based on a single factor, but on a combination of factors unique to each application. Of these applications, five were denied because of poor operating plans, three were denied due to weaknesses in the organizing group and 12 were denied because of a combination of these two factors.

Weaknesses in an operating plan frequently contribute to the denial of a charter application. In evaluating an operating plan, consideration is given to the proposed level of earnings, the adequacy of capital, the reasonableness and appropriateness of the financial projections and the safety and soundness of the intended operations. An operating plan may be deemed inappropriate if it projects rapid growth in an area with limited growth potential or in an area of strong competition, but at the same time fails to include realistic marketing plans to support such projections.

In other unsatisfactory operating plans, projected performance may vary dramatically from the performance of other area banks, with no explanation of the variance. Still other denied applications have included plans which project uncharacteristically high earnings without incorporating reasonable forecasting methods and assumptions or without fully explaining the basis for atypical earning projections. Weaknesses in operating plans reflect negatively on the group as it is the group's responsibility to present a valid, realistic plan.

In conjunction with the review of the operating plan, the strength of the organizing group is also considered. Affiliation of the organizing group, or individual members of the group, with a financial institution in less than satisfactory condition may lead to a decision to deny the bank charter application. Organizing groups which do not possess sufficient banking experience (in either the group itself or in its plans for management), or the financial resources to offer additional financial support to the bank, if needed, also may significantly weaken a proposal and preclude approval.

Requests for reconsideration of denied charter applications are sometimes submitted by organizers. These requests often include new or previously omitted information in response to the denial notification. However, a decision will only be reconsidered when reasonable facts are presented that indicate that the disapproval was the result of the Office not following its procedures, or an error (not a difference in interpretation) in its analysis. Therefore, if an organizing group has new or supplementary information to present, its appropriate course is to file a new application.

Interpretive Letters—May 15 and June 15, 1984

283—March 16, 1984

This letter concerns the application of *** (Bank), to establish an operating subsidiary to be called *** (Subsidiary). Subsidiary will operate out of an office on the Bank's premises and will sell, as agent for the insurer, the following types of credit-related insurance:

1. credit life and disability insurance;
2. mortgage life and disability insurance;
3. involuntary unemployment insurance;
4. vendors single interest insurance.

Policies will be sold only in connection with extensions of credit made by the Bank. Premiums will be paid by the borrower as an additional cost of financing and Subsidiary will receive commissions for the sale of insurance policies. Subsidiary will obtain an insurance agent's license from the state insurance commissioner and will comply with state insurance laws.

Operating subsidiaries of national banks are permitted to engage in activities in which their parent banks may engage under the national banking laws. 12 CFR 5.34, *as amended*, 48 *Fed. Reg.* 48,452 (October 19, 1983). Therefore, if the Bank is authorized to act as agent for the sale of the types of insurance that Subsidiary proposes to sell, the activity is permissible for Subsidiary as well.

I. Credit Life and Disability Insurance

National banks are permitted to engage in insurance activities that are incidental to banking. 12 USC 24(Seventh). This Office has traditionally believed that national banks may sell credit life and disability insurance, as agent for the insurer or by other arrangement, as an incidental power. *See* 12 CFR 2.6. Credit life and disability insurance serves to protect a bank's interest in a loan in case of the death or disability of the borrower and covers only the outstanding indebtedness. The sale of this type of insurance is directly related to the bank's express lending authority and therefore meets even the more restrictive tests employed by courts to determine the scope of a national bank's incidental powers. *See, e.g., M & M Leasing Corp.* v. *Seattle First Nat'l Bank*, 563 F.2d 1377 (9th Cir. 1977), *cert. denied*, 436 U.S. 956 (1978). Indeed, national banks' authority to sell these types of insurance as agent has been upheld by a federal appeals court. *IBAA* v. *Heimann*, 613 F.2d 1164 (D.C. Cir. 1979), *cert. denied*, 449 U.S. 823 (1980). Thus, it is clear that a national bank may sell credit life and disability insurance. The sale of mortgage life and disability insurance, which is merely a type of credit life and disability insurance, is also permissible. 12 CFR 2.3(e), 2.6.

II. Involuntary Unemployment Insurance

Involuntary unemployment insurance is another form of credit insurance that provides benefits to the bank if the borrower becomes involuntarily unemployed. Benefits paid to the bank are applied to all or part of the borrower's loan payments. Similar to credit disability insurance, this type of insurance serves to reduce the bank's risk of loss in the case of unforeseen troubles for the borrower which make it difficult for the borrower to make his loan payments. Thus the sale of this type of insurance is directly related to the bank's lending authority and is incidental to banking. Consequently, a national bank may sell this type of insurance to its customers, as agent for the insurer or through another method. *Cf.* 12 USC 1843(c)(8)(A) (bank holding companies expressly permitted to sell involuntary unemployment insurance).

III. Vendors Single Interest Insurance

Subsidiary will also act as agent in the sale of vendors single interest insurance (VSI). VSI is a specialized type of credit-related property damage insurance which insures the Bank against loss or damage to personal property in which the Bank has a security interest as a result of a loan. According to the application materials, the VSI sold by Subsidiary will have the following features. The VSI will be placed with the insurer by the Bank through Subsidiary when the borrower either refuses or is unable to obtain property insurance on the collateral from conventional sources. The Bank can make a claim under the VSI policy after the borrower's default if the collateral is lost or repossessed in damaged condition. The VSI covers only the value of the Bank's security interest and not the borrower's equity interest in the property.

A federal court has held that 12 USC 92, which gives national banks located in places of under 5000 people express authority to act as insurance agent, impliedly prohibits banks in places of greater than 5000 people from acting as agent for the sale of broad forms of automobile, home, casualty and liability insurance. *Saxon* v. *Georgia Ass'n of Indep. Ins. Agents*, 399 F.2d 1010 (5th Cir. 1968). However, a national bank may act as agent in the sale of insurance, regardless of 12 USC 92, when doing so is incidental to banking. *See IBAA* v. *Heimann*, 613 F.2d at 1170. Similar to credit life insurance, the VSI that Subsidiary proposes to sell simply serves to protect the Bank's ability to recover the value of its loan. The sale of this insurance is directly related to a national bank's lending authority and is within a national bank's incidental powers. *See* letter from Ford Barrett, Assistant Chief Counsel (April 24, 1979), *reprinted in*, [1978–79 Transfer Binder] Fed. Banking Law Rep. (CCH) ¶85,166 (national bank may act as group policyholder for VSI insurance and

accept [illegible] from the insurer [illegible] incidental to the bank's lending authority. Moreover, the narrow and specialized nature of the VSI at issue here distinguishes this situation from the Saxon case in which the bank was acting as agent for broad forms of automobile, home, casualty and liability insurance. A national bank may therefore act as agent for the insurer for the sale of VSI insurance. I stress, however, that this conclusion is limited to VSI policies which have the features described in the application materials and repeated above. Policies which have different features may require a different result.

IV Conclusion

In light of the fact that a national bank has authority to act as agent for the sale of the types of credit insurance described above, a national bank's operating subsidiary may also engage in this activity. The Bank's application to establish an operating subsidiary to perform this activity is therefore approved. Please note, however, that the Bank is prohibited by statute from conditioning any extension of credit on the purchase of credit insurance from Subsidiary. 12 USC 1972(1).

Doyle L. Arnold
Senior Deputy Comptroller
for Policy and Planning

* * *

284—March 26, 1984

This is in response to your February 1, 1984 letter of notification concerning the establishment by *** (Bank) of an operating subsidiary to acquire a certain software company. I understand that, as a result of the transaction, Bank will acquire the rights to a software package currently being developed by the company. The Bank intends to employ the software package in three different ways. First, Bank intends to use the package, which is designed to retrieve, display and perform statistical and other quantitative analyses of banking, financial and related economic data, to enhance and augment the current information and economic capabilities of the Bank's in-house computer systems. Second, Bank intends to make the software available to purchasers of access to the Bank's banking, financial and economic data bases. The software greatly [illegible] the ease of manipulation and the [illegible] of the information to customers. Third, the Bank would like to market the software on a stand alone basis as a by-product of its other data processing activities.

Pursuant to 12 CFR 5.34(d)(ii), *as amended*, 48 *Fed. Reg.* 48452 (October 19, 1983), national banks may establish operating subsidiaries to engage in activities which are a part of or incidental to the business of banking. The first two proposed software activities (*i.e.*, in-house use and marketing in conjunction with data bases) are within a national bank's authority to use data processing equipment to collect for itself and provide to others banking, financial and related economic data. IR 7.3500 (12 CFR 7.3500). Therefore, this Office has no objection to Bank's plans to establish an operating subsidiary to engage in these activities.

However, this Office is not, at this time, prepared to consider the Bank's proposal to sell the software package separately as a by-product of its other data processing activities. *See* IR 7.3500(a)(1) (12 CFR 7.3500(a)(1)). This Office has, in the past, taken the position that programs marketed as by-products must be developed in-house, not obtained from third parties. No information that the Bank has provided appears to justify a contrary conclusion in this instance. However, the Office will consider the matter further if Bank provides additional information. In this regard, it would be helpful if the Bank would provide an explanation of any role that it has played (or will play) in the origination and development of the software package. Also, I understand that Bank's desire to acquire the software company derives from the fact that the company is in poor financial condition and, if the company was to fold, the Bank may not have access to the software package. Any information that you could provide on this aspect of the transaction would also be of assistance.

To summarize, this Office has no objection to the establishment of an operating subsidiary to engage in the first two proposed activities. However, the software package should not be marketed separately as a by-product without further consideration of the matter by this Office.

Michael Patriarca
Deputy Comptroller for
Multinational Banking

* * *

285—April 30, 1984

This is in response to your request for an interpretation of 12 USC 84 with respect to Federal National Mortgage Association (FNMA) Securities. The question you present is whether or not a loan secured by FNMA securities is exempted from the loan limitations of Section 84.

For the purposes of this letter I am assuming that your reference to FNMA Securities is to the FNMA Guaranteed Mortgage Backed Security (GMBS) which was first issued in October of 1981. The GMBS is a pass-through security with guaranteed payment of principal and interest by FNMA. FNMA as issuer and guarantor of the security is obligated to disburse scheduled monthly installments of principal and interest, whether or not such amounts have been received. The FNMA guaranty constitutes an obligation solely by FNMA and is not backed by the full faith and credit of the United States. (*See* FNMA Supplement to Prospectus for Guaranteed Mortgage Pass-Through Certificates dated August 1, 1983).

Title 12 USC 84(c)(4) provides an exception to the loan limitations for:

> Loans or extensions of credit secured by bonds, notes, certificates of indebtedness, or Treasury bills of the United States or by other such obligations fully guaranteed as to principal and interest by the United States.
> (*See also* 12 CFR 32.6(d) and 6.2.)

While FNMA enjoys certain privileges of government sponsorship (*See e.g.* 12 USC 1719(d)), it is not a wholly owned corporation of the United States. In 1968 Congress dissolved the old FNMA Corporation and created two new corporations, the existing Government National Mortgage Association (GNMA), a governmental agency under the Department of Housing and Urban Development, and the existing FNMA, a privately held corporation. 12 USC 1716b and 1717(a)(2)(A) and (B). The FNMA Guaranteed Mortgage-Backed Security is an obligation of FNMA, it is not a direct obligation of the United States, nor is it backed by the full faith and credit of the United States. A loan secured by FNMA GMBS's, therefore, would not fall within the Section 84(c)(4) exception.

You also noted in your letter that GNMA pass-through securities are covered by the Section 84(c)(4) exception. GNMA pass-throughs give rise to general obligations of the United States. 42 Op. Att'y Gen. 323 (Sept. 30, 1966). To the extent that GNMA fully guarantees payment of principal and interest on the securities, therefore, they are covered by the exemption. Payment is fully guaranteed when it is to be made regardless of whether the principal and interest are actually collected. FNMA is authorized to purchase, sell or otherwise deal in any securities guaranteed by GNMA. 12 USC 1717(b)(1). To the extent, therefore, that securities sold by FNMA are guaranteed by GNMA, loans collateralized by those securities are exempt from the lending limits

Loans secured by FNMA GMBS's also are not exempt under 12 USC 84(c)(5). That paragraph exempts from any lending limit a loan secured by guarantees or unconditional takeover commitments of the United States or a wholly owned corporation of the United States. FNMA is not a wholly owned corporation of the United States; it is a Government-sponsored privately held corporation. Furthermore, Section 84(c)(5) does not apply because FNMA does not guarantee the obligation of the borrower/pledgor to the bank. The FNMA guaranty covers only the obligation of the issuer to pay principal and interest as they come due. Exception 84(c)(5) is inapplicable, therefore, because the collateral is guaranteed, not the loan itself, and because FNMA is not a wholly owned corporation of the U.S.

Rosemarie Oda
Senior Attorney
Legal Advisory Services Division

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286—April 23, 1984

This is to confirm our conversation of April 10, 1984 and respond to your letter dated January 30, 1984, addressed to the Western District Office, regarding a violation of 12 USC 84 by *** (Bank). You state that 2 years ago an overline loan was made and reduced to a conforming amount through partial payment by the borrower prior to the effective date of the amendment to 12 USC 84.

The Bank now wishes to renew the loan, which has also been classified by the examiners. No additional funds will be advanced, and the Bank does not anticipate any loss on the loan. The Bank has some new directors, who did not approve the original overline, who are concerned about incurring personal liability. You have inquired whether they would become personally liable as a result of their approval of the extension.

Directors of a national bank are personally liable for a knowing violation of 12 USC 84 under the provisions of 12 USC 93(a). This statute provides that a director who participates in or consents to a violation of the bank's lending limits is liable for any damages sustained. In addition to this statutory liability under the National Bank Act, directors of national banks have a common law duty to exercise due case and prudence in the administration of the affairs of the bank

The Office has traditionally held that directors are liable for overline loans until the loans are paid in full. *See Del Junco* vs. *Conover*, 682 F.2d 1338, 1342–43 (9th Cir. 1982). This position is reflected in the transl-

tional rules of the regulation implementing the amended Section 84. See 12 CFR 32.7(a).

The question becomes whether a particular renewal amounts to a new extension of credit so as to create any personal liability on the part of the new directors for any loss. In general, a renewal is an extension of the old debt. It does not extinguish the original debt but simply extends the time of payment. *See* C. ZOLLMAN, 7 BANKS AND BANKING Sections 4801, 4802 (1936); *McRoberts* v. *Spaulding*, 32 F.2d 315, 318 (S.D. Iowa 1929) citing *Brown* v. *Marion National Bank*, 169 U.S. 416 (1898). The giving of a renewal note is not, absent a novation or express agreement, a payment of the pre-existing note. [1984] 6 BANK. LAW Section 121.04 (Matthew Bender).

In the absence of exceptional circumstances, the taking of renewal notes does not

> fall within the inhibition of the letter and spirit of the statute. No new money leaves the bank's vaults. None of the conditions which attend the making of the original notes are present.
> (*Payne* v. *Ostrus*, 50 F.2d 1039, 1041 (8th Cir. 1931).)

In the case of most renewals, therefore, the time of inception of the original note would be the appropriate frame of reference for determining which directors may have incurred personal liability for an overline. The Office has previously held that the legal lending limit is applied on the day the bank advances the funds in question, and the liability of its directors attaches on the same date. Cf. *Corsicana National Bank* v. *Johnson*, 251 U.S. 68, 86 (1919). The new directors, therefore, would incur no statutory personal liability on the original obligations, and the current and former directors who assented to it would not be relieved of liability as a result of their approval of the renewal. The responsibility of new directors for statutory violations of past directors was among the issues specifically discussed in *Curtis* v. *Metcalf*, 265 F. 293, 296 (D.R.I. 1918), where the court stated that

> It is evident that the charge of making a bad loan is inapplicable to one who found such a loan in the bank when he became a director, and that a renewal of such a loan may or may not be a cause of loss or amount to actionable negligence, according to the circumstances of renewal. If the money of the bank been misapplied by paying it out [illegible], it is obvious that a subsequent renewal of such paper, upon which nothing was [illegible], could not have misapplied the property of the bank.
> (citation omitted)

Even in the unlikely event of a completely restructured loan or novation, where the terms of or parties to the new note substantially differ from those of the original or new funds have been advanced, in this instance the new directors of the Bank would incur no statutory personal liability because the loan is presently conforming, unless a new overline resulted from the additional advance.

It should be noted that as to the present and former directors who assented to the original overline, however, a novation would not extinguish their liability for the original violation. A renewal with respect to those directors is treated under the transitional rules, which provide that "renewals or extensions of such loans or extensions of credit will also be considered violations of law." 12 CFR 32.7(a). If the loan is restructured resulting in a novation or additional advances are made, "[t]he additional advances, however, may not be used directly or indirectly to repay any outstanding illegal loans or extensions of credit." 12 CFR 32.7(b). To hold otherwise would create a substantial loophole in the transitional rules and encourage sham transactions designed solely for the ostensible purpose of curing violations which antedate the statutory amendment.

I would like to make three cautionary points. First, although the Office might not regard a renewal of this note, in which no additional funds will be provided by the Bank, as a violation of 12 USC 84 by the new directors, a court might find otherwise in a shareholder action under 12 USC 93(a). Secondly, although the Bank's new directors would probably not be found statutorily liable for the original violation of Section 84, a court might find them negligent in approving the renewal in an action under common law. Finally, if the Office were to subject the Bank to formal administrative action under 12 USC 1818(b), all directors would probably be required to take such action as necessary to correct all violations of law. This is because all directors are responsible for oversight of the lending policies of the Bank and for terminating existing violations of the lending limit as soon as possible. Such an administrative action, however, would not result in the new directors being required by this Office to reimburse or indemnify the Bank for any loss.

Rosemarie Oda
Senior Attorney
Legal Advisory Services Division

* * *

287—April 19, 1984

This is in response to your letter addressed to Richard Fitzgerald, former director of the Legal Advisory Serv-

ices Division, concerning a request for the review of an opinion by the Northeastern District Legal Staff in response to a proposal submitted by the *** (Bank) The facts as I understand them follow.

Through its subsidiary, ***, the Bank is engaged in an automobile leasing arrangement whereby it advances funds to a leasing company (Lessor) to purchase motor vehicles or equipment. The vehicles or equipment are then leased to a particular lessee based upon Subsidiary's credit evaluation of that lessee. The resulting lease is assigned to Subsidiary as security. The loan is evidenced by a loan receipt (a promissory note) containing the Lessor's promise to pay the entire principal and precomputed interest in constant monthly installments conforming to the monthly rentals payable under the related lease, with a final balloon payment on vehicle financings. At the same time Subsidiary receives a confirmatory security interest in the leased equipment or vehicle and a confirmatory assignment of Lessor's rights under the lease.

In connection with this program the Bank was cited for violations of 12 USC 84 for loans to the Lessor that exceeded the Bank's legal lending limit. Primarily due to tax considerations, the Bank chose not to restructure its agreement with the Lessor to make it eligible for exception 13 of 12 USC 84 as it then existed.[1]

The Bank instead drafted an amendment to its agreement with the Lessor in an attempt to bring it under what has been referred to as the "USLC exception." That exception involved a lease-note financing arrangement by the United States Leasing Corporation (USLC). The Office of the Comptroller of the Currency (Office) issued an interpretive letter dated December 5, 1974 concerning the arrangement which was published at [1973–1978 Transfer Binder] Fed. Banking L. Rep. (CCH) ¶97,003. The following elements were present in the USLC transaction:

(1) the borrowing by the lessor leasing company was on a direct note;

(2) the items being leased were the security for the borrowing;

(3) the lessor assigned all of its rights under the leases to the lending bank;

(4) the lending bank had made an independent credit judgment of the lessees;

(5) the note was without recourse to the leasing company.

(6) the lessees made their lease payments directly to the lending bank.

(7) the lease payments were sufficient to satisfy the loan, and

(8) in the event of default, the lending bank had immediate recourse against the equipment and lessee for any deficiency.

These facts and the credit realities of lease-note financing led the Office to conclude that USLC should be viewed merely as a nominal lessor and servicer of the lease acting on behalf of the lender bank in such transactions. Since the lessee's rent payments were the primary source of repayment of the loan and were understood to be such by all parties to the transaction, for purposes of credit judgments, the lender treated the transaction as the equivalent of a secured loan to the lessee. In the event of default, the lender had all the rights of a secured creditor, including the right to demand from the lessee any portion of the rent remaining unpaid after the equipment was sold

From the documents which you have provided, it appears that the Bank's leasing arrangement complies with most of the requirements of the USLC precedent. It provides that Subsidiary will evaluate the creditworthiness of the lessee prior to any extension of credit to the Lessor, as if the loan were being made directly to the lessee. Additionally, the monthly rentals under the assigned lease and the amount payable under the option or vehicle financing that the lessee is required to pay, will be sufficient to repay in full the credit extended to lessor, with no allowance for salvage value of the leased equipment or vehicle

However, you have stated that Subsidiary will reserve a limited recourse against the Lessor Notwithstanding the terms of the loan receipt, Lessor's aggregate liability on all loans will be limited to a specified amount which will be below the lending limit imposed by 12 USC 84.[2] Up to this established limit, Subsidiary will have recourse against the Lessor

You state that this limited recourse against Lessor is not made for credit purposes, but rather for a practical business reason, that is, to leave the responsibility of dispute resolution with the Lessor You further state your opinion that this limited recourse is not signifi

[1] Public Law No 97-320 (October 15, 1982) amended 12 USC 84 to modify and renumber exception 13 The content of that provision is now found in exception 8 The regulation formerly implementing 12 USC 84, Interpretive Ruling 7 1630, 12 CFR 7 1630, is now codified at 12 CFR 32 6(h) *See* 48 *Fed Reg* 15,852 (April 12 1983)

[2] You state that the lending limit [illegible] was chosen [illegible] as a matter of prudent banking judgment [illegible] which the Bank seeks to reserve direct [illegible] against the [illegible]

[illegible] is consistent with the recourse provision in USLC. The Northeastern District [illegible] with your interpretation. I concur in the District's decision.

The amendment to your loan and security agreement, which provides for the limitation of recourse, states:

> Limitation of Recourse
>
> Notwithstanding any provision to the contrary in this agreement, in any instrument or in any other document, your recourse against us for advances hereunder shall be limited to and shall in no event exceed such amount as, when added to all other obligations of ours that must be included in computing the maximum amount your parent company, Bank, is permitted to lend us from time to time under applicable laws and regulations, shall not exceed such loan limit. The foregoing limitation shall not apply to any liability of ours for breach of any warranty, representation or covenant herein (except our covenant to repay advances) or to your rights and remedies relating to the Collateral and the proceeds therefrom, all of which may be exercised without regard to such limitation. It is understood that in addition to your rights in the Collateral and to receive and apply the proceeds therefrom as provided herein, you have recourse against us, to the extent limited above, both before and after resorting to the Collateral.

The amendment specifically provides that Subsidiary will have recourse, albeit limited, against the leasing companies in the event of default. I disagree with your assertion that this provision for limited recourse is consistent with the recourse provision in USLC.

Although there are some similarities between your leasing arrangement and the one in USLC, the differences between the two are important. In USLC, there was an assignment to the bank of all the rights of USLC as lessor. Additionally, as the opinion letter describes the transaction:

> The note given by USLC to the bank is without recourse. In other words, the bank may not go against USLC in the event the lessee fails to complete the rental payments. The bank's only recourse is to the equipment itself and to the lessee for any deficiency. ... [t]his means that USLC is free and clear of all obligation to the bank on the note and the substantive obligations in the transaction are between the lessee and the bank as assignee of the lease.
> (Fed. Banking L. Rep., *supra*, at ¶97,003.)

[illegible] the arrangement which you have [illegible] the availability of recourse, there is still an existing "substantive obligation" between Subsidiary and the Lessor. In the event of default, Subsidiary can still look to the Lessor for payment of the debt up to a specified limit. Unlike USLC, it therefore cannot be argued that the situation is the same as if Subsidiary has leased the equipment directly to the lessee without the Lessor's participation in the transaction.

You seek to distinguish the non-recourse provision by pointing out that it is being implemented for a business purpose, "to leave with the Lessor the burden and responsibility for resolving disputes with lessees," rather than a credit purpose. I do not find this distinction persuasive. Despite the fact that the recourse provision may have been adopted to serve a business purpose, the practical effect of the provision is that it results in the Lessor's continued liability to the Bank. Thus, this is unlike USLC, where the non-recourse provision in the note essentially extinguished this liability. *See* Fed. Banking L. Rep., *supra*, at ¶97,004. Clearly, here the Lessor would be more than the "agent for the bank" or the "nominal lessor acting on behalf of the bank" as described in the USLC opinion. It would still be an obligor to which Subisidiary could look for repayment. Consequently, I must conclude that the leasing arrangement would not be subject to the USLC exception.

I must stress that the USLC is a very limited precedent. If a leasing arrangement does not strictly comply with the elements established in the original ruling, it will fail to qualify for the USLC treatment. In this situation, since the Bank has not complied with the non-recourse provision, the obligations of the Lessor are subject to the requirements of 12 USC 84.

Charles F. Byrd
Assistant Director
Legal Advisory Services Division

* * *

288—April 25, 1984

This is in response to your letter of March 16, 1984, concerning the Argentine public and private sector debt restructuring program. Specifically, you observe that private sector borrowers of dollar loans may make payment to the Argentine central bank, which then issues bonds or promissory notes to the lender. By the end of 1984, you expect the volume of your private sector debt which will be converted into such bonds and notes, together with loans you have outstanding to the Argentine government, will probably surpass 15 percent of your bank's unimpaired capital and surplus. You suggest that all the Argentine restructuring

bonds and notes may be excluded from the lending limit for Argentina and treated either as:

(i) loans still outstanding to the original borrowers and being repaid through a foreign exchange mechanism made necessary by a shortage of available foreign exchange, or (ii) an interbank deposit with the Argentine Central Bank, evidenced by bonds or notes.

We do not believe that either treatment is warranted. First, if we accepted the concept that the Argentine central bank's issuance of bonds and notes as a new obligor on old, existing loans represented merely a "foreign exchange mechanism", 12 USC 84 would be erased as a meaningful limit for purposes of overseas lending. Any country's central bank could undertake repayment obligations in unlimited amounts and label such obligations a "foreign exchange mechanism."

Second, unlike the Brazilian situation, where the parties characterized the funds in the central bank as "deposits," and the Brazilian central bank issued deposit instruments, in Argentina the parties are not characterizing the funds as "deposits" and the central bank is issuing notes and bonds. Accordingly, there is no basis for treating such funds as deposits.

It is important to observe, however, that in the Argentine program as described no new funds are leaving the *** Bank (Bank). Instead, the Argentine central bank is becoming the new obligor on old existing loans. The Bank 12 USC 84 analysis was performed at the time funds were originally extended to the private borrowers in Argentina. No lending limit violation can be triggered now solely by virtue of subsequent events, i.e., by the restructuring program. The Bank is not making a new loan or extension of credit to the Argentine central bank; it is merely accepting the Argentine central bank as the new obligor on loans made some time ago. This analysis is limited to the context of a foreign debt restructuring.

Assuming that the Argentine central bank's bonds and notes payable to Bank exceed 15 percent of the bank's unimpaired capital and surplus, does this mean that no new loans can be extended to the Argentine government or to other public sector entities who can not satisfy the means and purpose tests in 12 CFR 32.5(d)? The answer depends on the extent to which the bonds are 12 USC 24(7) investments, and hence not within the scope of 12 USC 84. For purposes of explication, assume that Bank by the end of 1984 has Argentine central bank notes equalling 10 percent of its unimpaired capital and surplus. If the bonds all qualify as Type III securities which satisfy the investment criteria in 12 CFR 1.5(a), they are subject to a separate 10 percent investment limit in 12 USC 24(7). Bank 12 USC 84 lending limit exposure is only 10 percent represented by the notes. Hence it could make more 12 USC 84 loans to the Argentine government or central bank until its 15 percent lending limit is reached.

In sum, the OCC will not consider Bank to be in violation of 12 USC 84 by virtue of the substitution of the Argentine central bank as obligor on the loans earlier made to Argentine private borrowers. At most, Bank will be placed in a "nonconforming" situation which would limit the extent to which it can make future loans to the Argentine government or central bank.

Michael Patriarca
Deputy Comptroller for
Multinational Banking

* * *

289—May 15, 1984

By letter dated January 20, 1984, you notified this Office pursuant to 12 CFR 5.34 of a proposed operating subsidiary to be established by *** (Bank). The proposed operating subsidiary would be involved in the establishment of an automated teller network. This Office exercised its discretion under Section 5.34(d)(ii) to extend the period for review of the proposal in order to examine certain legal issues.

Based upon your submission to this Office and your conversations with James F. E. Gillespie, Jr., Senior Attorney, Legal Advisory Services Division, we understand the facts to be as follows. Bank 1 proposes to create an operating subsidiary which would enter into a joint venture or partnership with Bank 2 (or one of its subsidiaries) to establish an automated teller network. The network would provide electronic funds transfer and related data processing services and would be open to participation by any "institution" that wishes to join. It will enable customers of any participating institution to access network terminals and to perform such transactions "as are allowed by applicable law." *Memorandum in Support of Letter Notification*, (Memorandum), p. 1. The network will likely acquire new terminals which it will own. Additionally, Bank 1 and Bank 2 may designate some of their existing automated teller machines (ATMs) to be shared by the network, *i.e.*, to be accessible by customers of participating institutions. Both banks, however, intend to continue to operate their own separate ATMs which will not be accessible through the network. The network may permit participating institutions to share their ATMs with the network. Any participating bank whose customers used an ATM owned by the network or another participating bank would be required to pay, directly or indirectly, a transaction fee to the owner of the ATM.

Bank 1 and Bank 2 propose to divide the partnership profits equally.

It is understood that Bank 1 will capitalize the operating subsidiary and conduct its operations in such a manner as to minimize the risk that the "corporate veil" of the subsidiary could be pierced or that Bank 1 could be held vicariously liable for the acts of the subsidiary or the partnership.

Under 12 CFR 5.34(c):

> A national bank may engage in activities which are part of or incidental to the business of banking by means of an operating subsidiary corporation.

Further, 12 CFR 5.34(d)(2)(i) states:

> Unless otherwise provided by statute or regulation, all provisions of Federal banking laws and regulations applicable to the operations of the parent bank shall be equally applicable to the operations of its operating subsidiary.

The activities of the proposed partnership, *i.e.*, an EFT network, are clearly part of or incidental to the business of banking. Interpretive Letter No. 153, John E. Shockey, Chief Counsel, July 7, 1980, CCH Fed. Banking Law Rep. ¶85,234.[1] Accordingly, the proposed partnership activities are permissible under 12 USC 24(Seventh). Thus, the determinative issue is whether a national bank may act as a general partner through an operating subsidiary.

The leading case on the authority of national banks to participate in partnerships is *Merchants National Bank v. Wehrman*, 202 U.S. 295 (1906). There a national bank, in satisfaction of a debt, purported to take shares in a partnership engaged in real estate development. Subsequently, the partnership became insolvent and the bank was sued for the debts of the partnership. As a defense the bank argued that its participation in the partnership was *ultra vires*. The Court, in an opinion by Justice Holmes, agreed. At the threshold, Holmes noted that national banks were generally permitted to receive corporate stock in satisfaction of a debt previously contracted. However, he noted a crucial difference between corporations and partnerships:

> The corporation is legally distinct from its members, and its debts are not their debts. Therefore, when a paid-up share in a corporation is taken, no liability is assumed, apart from statute, but simply a right equal in value to a corresponding share in the assets and good will of the concern after its debts are paid. *** But when a similar transfer is made of a share in a partnership, it means that the transferee at once becomes a member of the firm and goes into its business with an unlimited personal liability,—in short, <u>does precisely what a national bank has no authority to do</u>. This the supreme court of Ohio rightly held beyond the powers of the bank. U.S. Rev. Stat. Sections 5136, 5137.
>
> (202 U.S. at 300–301 (emphasis added).)

Accordingly, Holmes concluded, and the Court held, that a national bank could not enter into a general partnership because it lacks the authority to enter into collective enterprises in which the bank has unlimited personal liability for the acts of others. As indicated in the opinion of the Ohio Supreme Court, which was cited with approval by Holmes on this point, the conclusion is not founded upon any express prohibitions of partnership activity in the National Bank Act. Rather, the Court concluded that a bank's exposure to unlimited liability could not be deemed incidental to the carrying on of safe and prudent banking business and, hence, was outside the grant of incidental powers under 12 USC 24(Seventh). *See Merchants National Bank v. Wehrman*, 69 Ohio St. 160, 68 N.E. 1004, 1007 (1903), *reversed on other grds*, 202 U.S. 295 (1906).[2]

Accordingly, the *Wehrman* prohibition of partnership activity by national banks is based wholly and exclusively upon the unlimited liability exposure of a general partner. It necessarily follows that if partnership liability is in some way limited, the *Wehrman* prohibition is inapplicable. For precisely this reason, OCC has permitted national banks to act as limited partners. There

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[1] This Office has previously concluded that under 12 USC 36 such [illegible] network-owned ATMs are not branches of the banks [illegible]. See also *IBAA v. Smith* 534 F.2d 921 [illegible] cert. den., 429 U.S. 862 (1976). For [illegible] ATMs are [illegible] Banking Law Rep. [illegible]

[2] The Ohio court also noted a concern that in a partnership the business of the bank might be effectively managed and controlled by persons other than bank officers. However, this concern was not mentioned by Justice Holmes as a basis for his decision. Moreover, it is not truly significant where, as here, the officers and directors of a bank are not delegating the management and conduct of the bank itself to the partnership but only one small portion of the bank's business. See Armstrong, *Can Corporations Be Partners*, 20 Bus. Law. 899 (1965). Finally, OCC has clearly discounted this concern in permitting national banks to be limited partners where, to maintain limited liability, a bank must avoid any active control of the enterprise.

is, however, as Holmes recognized, another device for limiting liability the corporation. It is particularly significant that Holmes saw no similar problems where national banks received corporate stock in satisfaction of a debt.

If, as proposed, a partnership interest is held not directly by a national bank, but rather by a subsidiary corporation of the bank, the bank would be generally shielded from unlimited liability. like other jurisdictions, Massachusetts holds that a parent corporation is not generally liable for the debts or torts of its subsidiaries. In the absence of a fraudulent purpose, the ownership of all the stock and the absolute control of the affairs of the subsidiary do not make the parent liable. *M. McDonnough Corp.* v. *Connally,* 313 Mass. 62, 46 N.E.2d 576, 579 (1943); *Browne* v. *Brockton National Bank,* 305 Mass. 521, 26 N.E.2d 360, 362-336 (1940). While it is "extremely difficult" to breach this shield, *Over the Road Drivers, Inc.* v. *Transport Ins. Co.*, 637 F.2d 816, 821 N.5 (1st Cir. 1980), it is not impossible. Massachusetts law will permit piercing of the corporate veil under an agency theory.

> Particularly is this true (a) when there is active and direct participation by the representatives of one corporation, apparently exercising some form of pervasive control, in the activities of another and there is some fraudulent or injurious consequence of the intercorporate relationship, or (b) when there is a confused intermingling of activity of two or more corporations engaged in a common enterprise with substantial disregard of the separate nature of the corporate entities, or serious ambiguity about the manner and capacity in which the various corporations and their respective representatives are acting.
> (*My Bread Baking Co.* v. *Cumberland Farms, Inc.*, 353 Mass. 614, 233 N.E.2d 748, 752 (1968). *See also, Gopen* v. *American Supply Co., Inc.*, 10 Mass App. 342, 407 N.E.2d 1255 (1980).)

Thus, the proposed operating subsidiary would provide Bank 1 with very substantial protection against liability from the activities of the proposed partnership. While this protection is not absolute, based on Bank 1 commitment to capitalize the operating subsidiary and conduct is operations in such a manner as to minimize the risks that its "corporate veil" could be pierced, I conclude that the bank's liability exposure is sufficiently limited that the *Wehrman* prohibition is inapplicable.

Nevertheless, the participation of a national bank in a general partnership does raise significant policy concerns. As a practical matter a national bank involved in such a partnership may feel compelled to fully honor the obligations of the partnership, despite the lack of any legal liability, in order to preserve its own reputation. Accordingly, even where liability is limited, the Office must carefully review the risks inherent in any proposed partnership. We note that where a partnership will consist only of federally insured depository institutions or their subsidiaries, the risks are generally mitigated for two reasons. First, such institutions are limited by law to activities which are safe and sound; these limitations will extend to partnership activities. Second, those institutions are subject to extensive regulation and examination by state and federal supervisory authorities.

For these reasons, this Office will not object to the proposed Bank 1 operating subsidiary, provided its affairs are conducted as you have represented and provided that, except with the approval of this Office, each other general partner in the partnership will be a federally insured "despository institution" as defined in 12 USC 3201(1) or a subsidiary wholly owned (except for directors qualifying shares) by one or more depository institutions.

Michael Patriarca
Deputy Comptroller for
Multinational Banking

* * *

290—April 12, 1984

This is in response to your letter of March 9, 1984, in which you inquire whether a bank that offers adjustable-rate mortgage loans (ARM) at below-market, or "discount," interest rates must disclose the initial index value to the borrower pursuant to 12 CFR 29.7(e). You suggest that the below-market interest rate bears no relation to the initial index value that exists at the time of the commitment to offer the below market rate. You further inquire whether, in any event the initial index value must be disclosed pursuant to 12 CFR 29.7(a).

12 CFR 29.7(e) requires that,

> At the date on which the initial interest rate on an adjustable-rate mortgage loan is determined, the bank shall inform the borrower of the initial index value on which the initial interest rate will be based. This initial index value shall be included in the note that the borrower signs. The borrower must be given a copy of that note no later than at loan closing.

As I stated in our telephone conversation, I believe that it is inaccurate to say that the below-market rate bears no relation to the initial index value. The [illegible]

the rate is referred to as a "discount rate" shows that a value exists from which the rate is discounted. It is conceivable that the discount rate that you offer could vary from one period to the next because of a fluctuation in the current index value. Were the index value lower, for example, the discount rate might have to be adjusted downward to remain a desirable below-market alternative.

Therefore, it is my opinion that in your case Section 29.7(e) requires disclosure of the initial index value on the date on which the initial "discount" interest rate is determined. In addition to that disclosure, Section 29.7(e) requires the initial index value to be included in the note that the borrower signs and the borrower to be given a copy of that note no later than at loan closing.

In answer to your section question, the initial index value does not also have to be disclosed under Section 29.7(a). As stated in the preamble to Part 29:

> The revised regulation removes the requirement that the initial interest rate index be the most recently available value either at loan closing or when a bank commits to the initial interest rate on an adjustable-rate mortgage. Consequently, banks have total flexibility in determining the initial index value on an ARM.
> (48 *Fed. Reg.* 9509 (3/7/83).)

This flexibility would be significantly curtailed if disclosure of the initial index value were required under Section 29.7(a). As you know, the disclosures required by Section 29.7(a) must be made on the earlier date on which the bank "first provides written information concerning adjustable-rate mortgage loans available from the bank or provides a loan application form to the prospective ... borrower." Either of those events may occur long before the loan closing date, and long before a bank is ready to commit to an index value. Consequently, any requirement that a bank commit to an initial index value on such an early date would deprive the bank of its ability to adjust to changing market conditions and would be inconsistent with the purposes of Part 29. Thus, Section 29.7(e) is the sole provision governing disclosure of the initial index value.

I trust that this has been responsive to your inquiry. If you have any further questions, please contact Andrew F. Campbell, Legal Advisory Services Division, at (202) 447-1880.

Jonathan L. Levin
Senior Attorney
Legal Advisory Services Division

* * *

Enforcement Actions—January 1 to June 30, 1984

NOTE: Enforcement actions from 1983 that have not been previously published precede the 1984 summaries. Summaries of Civil Money Penalty 18 and Administrative Actions 173 and 259 are still not available

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Loan review	AA2 5 6 7 10 11 12 15 16 17 19 20 21 22 23 26 27 28 29 32 33 34 35 36 38 39 40 41 42 43 44 46 47 48 50 51 54 55 56 57 58 59 61 62 64 66 67 68 69 70 71 72 73 78 79 81 82 85 86 87 88 89 92 96 97 98 102 103 104 105 106 107 108 109 110 115 117 118 119 120 122 125 126 127 128 135 136 137 138 140 141 143 144 145 147 148 149 150 151 152 154 155 156 157 158 160 161 162 163 164 166 167 168 169 170 171 176
Management	AA3 6 7 9 10 13 14 15 18 19 26 27 28 30 31 33 34 35 38 39 40 41 42 43 44 45 46 47 50 51 54 55 57 58 59 62 63 64 65 66 67 68 72 73 75 76 78 79 80 85 86 87 88 89 90 92 93 97 99 100 102 103 104 105 106 107 108 110 111 112 114 115 117 118 119 120 121 122 124 126 127 128 129 132 133 136 137 139 140 141 142 144 145 148 149 153 154 156 157 158 160 162 164 166 167 168 170 171
[illegible]	[illegible] 104 [illegible]
[illegible]	[illegible] 102 [illegible]
[illegible]	[illegible]
[illegible]	[illegible]

[illegible]	[illegible]
Nonaccrual loans	AA[illegible] 16 20 30 33 34 35 36 37 41 58 61 62 65 71 75 77 81 82 89 92 97 102 103 110 111 113 116 119 130 131 138 139 141 144 154 163 171
Noncompliance with previous enforcement action	AA29 86 111
Out of territory lending	AA4 10 36 57 58 73 79 103
Other real estate owned	AA114 118 167 171
Overdraft policy	AA31 58 61 117 141
Participations	AA1 10 11 12 13 14 15 29 30 35 41 42 43 57 58 80 103 110 111 123 132 140 142 149 152 153 168 169 175
Progress reports monthly	AA4 10 15 24 29 40 85 97 161
periodic	AA174
quarterly	AA71 75 96 98 99 100 105
weekly	AA112
Purchased loans	AA10 15 41 42 103
Reimbursement restitution indemnification	AA26 35 36 58 62 64 86 117 126 135, 161 175
Sale and lease-back	AA175
Securities	AA90 SE1
Strategic plan	AA6 13 14 15 22 28, 29, 45 46 47 63 68 69 70, 71, 80 85 108 110 120, 128 138 145 148, 149, 151 156 157 163 167 168 170
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Violations consumer	AA20 27 41 43 87 98 136 159 160
Violations general	AA1 4 8 10 11 13 14 15 22 23 27 28 30 31 32 33 34 35 36 38 39 40 41 42 43 49 50, 51, 52 54 56 57 58, 59 60 61 64 70 73 74 76 77 78 79 81 82 85 87 90 92 93 98 99 100 101 102 103 104 105 106 107 109 110 111 114 115 118 119 122 123 132 135, 136 137, 138 139 140 141 142 143 144 145 146 147 148 149 150 151 152 153 154 155 156 157 158 159 160, 161 162 163 165 166 167 168 169 170 171
12 USC 29	AA70 118
12 USC 50	AA61
12 USC 56	AA61
12 USC 78	AA82
12 USC 84	CMP2 3 AA4 7 11 14 15 26 27 32 34 35 36 41 43 58 60 61 62 63 69 78 82 84 94 99 103 110 149 153 154 155 157 158 161 162 163 166 169
12 USC 371	AA81 98 175
12 USC 375	CMP1 AA28 60 64 86 135
12 USC 1818(j)	AA94 95
12 CFR 7.3025	AA118
12 CFR 7.5225	AA33
12 CFR 208	AA138 159 167
12 CFR 215	CMP1 AA66

Administrative Actions—1983

Administrative actions completed in 1983 but not previously reported

171. Bank with assets of $50 to $100 million

An examination revealed a deteriorated loan portfolio with high classified assets. The deteriorated asset quality was primarily a result of poor lending practices. The lending area was understaffed and no loan review existed. The board and management had been lax in their supervisory responsibilities. Informal funds management practices had led the bank to become highly asset-sensitive, exposing it to declining margins in a climate of falling interest rates. Several violations of law were disclosed during the recent examination, including two of 12 USC 84.

An Agreement required that a compliance committee be appointed to monitor the bank's progress. Violations of 12 USC 84 and all other applicable laws were prohibited. A management study was required to address identified deficiencies. With respect to the loan portfolio, the bank was required to adopt a criticized asset program, improve collection of past-due and charged-off loans, implement an internal loan review system, revise its lending policy, and maintain the allowance for possible loan losses at an adequate level. The bank was required to adopt a funds management policy. A capital program and an annual budget were also required. Finally, the bank was required to develop an internal audit program.

186. Bank with assets of $500 million to $1 billion

Deterioration in the bank's asset quality was noted, classified assets were substantial and losses were excessive. The bank's problems stemmed from unsatisfactory board supervision and poor lending practices. Criticisms of the lending area included officer complacency, anxiety for income, and poor credit judgment under competitive pressure. Loan documentation exceptions and delinquent and nonaccrual loans were all high. Director liability was identified on a lending limit violation which was partially charged off. Loan loss provisions had had a significant negative impact on earnings and capital. Earnings were further hurt by declining net interest margins and the large volume of non-earning assets. Primary capital was inadequate. The bank had outgrown its existing management style and needed a more formalized and sophisticated management program.

A Memorandum of Understanding required the correction of all violations of law, including 12 USC 84. A 5-year capital plan was requested. A management study to address deficiencies identified was required. In order to improve the quality of the loan portfolio, the bank was required to develop criticized assets and internal loan review programs, revise its lending policy, obtain credit and collateral documentation, and maintain the allowance for possible loan losses at an adequate level. Finally, an internal audit program was to be established.

187. Bank with assets of $100 to $250 million

Problems at the bank were centered in the loan portfolio which included excessive classified assets. Loan quality had deteriorated because of poor supervision, extensive oil and gas lending without adequate policies or expertise, insufficient documentation, and declining economic conditions. Liquidity was inadequate because of significant loan commitments and outstanding letters of credit. The investment portfolio was good quality, but did not provide sufficient liquidity support. The bank was relying heavily on borrowed funds. Earnings were poor because of provisions to the allowance for possible loan losses required as a result of heavy loan losses. Those losses had reduced capital to an inadequate level. Several violations of law were also cited.

An Agreement required the appointment of a compliance committee to monitor the bank's progress. Specific actions required to improve the quality of the bank's loan portfolio included development of a criticized assets program, revision of the lending policy, development of an internal loan review program, maintenance of credit and collateral documentation, improvement of collection procedures, and maintenance of adequate allowance for possible loan losses. Violations of law were required to be corrected. An asset/liability management plan and a capital plan were required. Finally, a management study was to be performed to address identified deficiencies.

262. Bank with assets of less than $25 million

A recent examination revealed extensive management problems and the need for a senior lending officer. The bank's loan portfolio contained excessive criticized assets and the written lending policy was out of date and insufficient. The bank's collection efforts had failed to produce results and current and satisfactory credit information was lacking on many loans. Likewise, collateral exceptions existed and, in some cases, collateral had not been perfected. The bank had no loan review system and its allowance for possible loan losses needed frequent review to ensure adequacy. The bank's capital was weak and the payment of dividends was inappropriate. Earnings were poor and liquidity and asset/liability management policies were inadequate. Numerous violations of banking law existed. The bank had no internal audit program.

An Order to Cease and Desist required the bank to conduct a management study and remedy any deficiencies found. A senior lending officer was to be hired within 90 days. The board of directors was to adopt and implement a written program to eliminate the basis for criticism of criticized assets and to review those assets at least monthly. The bank was to review and revise its lending policy and to implement a written program to strengthen collection efforts. Current and satisfactory credit information was to be obtained and analyzed for all future loans. The bank was required to correct all collateral exceptions and to establish a loan review system. The allowance for possible loan losses was to be maintained at an adequate level and to be reviewed for adequacy at least quarterly. Primary capital equal to at least 7 percent of total assets was to be achieved and maintained, and a new, written capital plan was to be devised. Dividend payments were subject to the consent of the Deputy Comptroller. The board was required to develop a profit plan to improve earnings and to revise the written liquidity and asset/liability management policy. Violations of law were to be corrected and an internal audit program implemented.

263. Bank with assets of $50 to $100 million

A recent examination revealed an increase in classified assets. Classified assets equalled more than 100 percent of gross capital funds. This was the result of lax and ineffective loan supervision. The lending staff had been ineffective in improving the overall quality of the loan portfolio. Adverse economic conitions compounded the problems. The bank's earnings performance was poor. During the previous year, operations generated a net operating loss of $88,000, although a tax credit enabled the bank to show a small profit. High loan losses were the principal reason for the bank's poor performance.

An Agreement required the bank to formulate and implement written programs to eliminate the grounds for criticism of all criticized assets and improve the lending function. The board of directors was also to establish and maintain an adequate allowance for possible loan losses and to take all necessary steps to obtain sufficient credit information. The Agreement required the board to study the bank's profitability, identify reasons for declining earnings, and determine ways to improve earnings. Guidelines for asset liability management were to be formulated.

264. Bank with assets of $50 to $100 million

A recent examination revealed deterioration of the [illegible] earnings [illegible] the board of [illegible] the bank. The Bank's internal loan review system was inadequate and classified loans had not been identified as problems by management. Violations of 12 USC 84 were present and past-due loans were high. Credit exceptions were also high, as were collateral deficiencies. The bank had not planned adequately for liquidity and growth. Numerous consumer violations existed in addition to internal control exceptions and internal audit deficiencies. Legal fees arising from the proxy fight were expected to have a negative impact on the bank's earnings.

An Agreement required a study of the effectiveness of the board of directors and its committees. A management study was also called for, along with the immediate remedying of violations of law. The bank was required to adopt and implement provisions to ensure an adequate loan review system. The allowance for possible loan losses was to be reviewed at least quarterly and maintained at an adequate level. The bank was to institute a capital plan and a program for the improvement of criticized assets.

Civil Money Penalties—1984

1. Bank with assets of less than $25 million

Violations of 12 USC 375a and 375b by the president for his benefit were uncovered during the examination. The gravity of the situation was aggravated by the fact that these were concealed from the board of directors. Other transactions were uncovered, including illegal overdrafts, failure to support indebtedness to the board as required, and failure to submit current financial statements to the bank, all in violation of 12 USC 375a and 375b, which further indicated an alarming lack of respect for the law by the president.

A Civil Money Penalty of $5,000 was assessed against the president of the bank because of the apparent willful nature of the violations and the gravity of the continuing pattern of insider abuses.

2. Bank with assets of $25 to $50 million

Fifteen violations of 12 USC 84 resulting in losses exceeding $18 million were cited in one examination. Some violations were the result of agreements to repurchase participations and others were knowing attempts to circumvent the law. Some violations were the result of fraudulent activities by loan officers.

Civil Money Penalties of $100,000 and $15,000, and 23 of $10,000 were made against the officers and directors of the bank. Twenty four of the assessments were successfully pursued and resolved, one was suspended and one is in litigation.

3. Bank with assets of less than $25 million

An examination revealed violations of the bank's lending limit, despite the fact that similar violations had been cited in two previous reports of examination and the fact that bank had entered into a formal written Agreement which required the elimination of the violations and the institution of policies and procedures to prevent future violations.

Civil Money Penalties of $5,000 each were assessed against the chairman of the board and the president and ones of $2,500 were assessed against each of the four other members of the board of directors.

Administrative Actions—1984

1. Bank with assets of less than $25 million

A recent examination revealed that the bank had problems involving poor asset quality, poor earnings, and inadequate capital. The high level of classified assets was the result of poor lending practices, ineffective supervision, and a depressed agricultural economy. Loan documentation exceptions were at an unacceptable level. Numerous violations of law were noted, four of which involved the bank's legal lending limit.

An Agreement required the bank to correct all violations of law, adopt a written program to eliminate the basis of criticism of assets, require prior approval on extensions of credit to criticized borrowers, and obtain current and satisfactory credit information on loans criticized and on loan participations. The bank further agreed to strengthen collection efforts, revise its lending policy, establish a program to maintain an adequate loan loss reserve, maintain primary capital at or above a fixed percentage of total assets, and implement an internal audit program.

2. Bank with assets of less than $25 million

An examination revealed that operating policies and procedures in this bank were informal, with no specific procedures in any area of operations, including the lending policy and loan review. The bank had experienced a steady rise in classified assets and deterioration in earnings. There were several instances where proper credit information was lacking, and the allowance for possible loan losses had not been reviewed on a periodic basis. The bank's audit program and internal control systems were deficient.

An Agreement required the bank to (1) develop programs to improve each criticized asset and restrict additional loans to criticized borrowers, (2) adopt a written loan policy, (3) establish a loan review system, (4) obtain adequate credit information, (5) prevent capitalization of interest, (6) review the adequacy of the allowance for possible loan losses quarterly, (7) adopt a written asset/liability management policy, (8) develop a profit plan and budgets, (9) correct audit deficiencies, and (10) correct internal control deficiencies.

3. Bank with assets of less than $25 million

An examination of the bank revealed a marked deterioration in the quality of its assets. Classified assets had increased significantly between examinations, credit deficiencies were excessive, and loan delinquencies were higher than acceptable for a well-run bank. Poor loan portfolio management and inadequate collection practices were the underlying reasons. Because of loan portfolio performance, earnings had declined. Considering the overall condition of the bank and its future prospects, capital was marginal and there was no adequate plan to increase capital in the future. The examination revealed several violations of law, some of which were repeats and the type that could make the board subject to civil money penalties. The violations of law pointed up the lack of internal controls to prevent recurrence.

An Agreement was entered into which required the board of directors to take corrective action to deal with inadequate or lacking loan policies, management and staffing needs, methods of resolving the deterioration in assets in general and specifically in present classified loans. Adequacy of the loan loss reserve was addressed and requirements for asset/liability management were to be effected. Requirements for a formalized budget were put into place and the board was required to analyze its capital and develop a 3-year capital program.

4. Bank with assets of less than $25 million

An examination of the bank revealed that criticized assets and classified assets were increasing significantly. The examiner projected a high degree of potential loss. The loan loss reserve was inadequate, and there was no indication bank management recognized its problems. Other deficiencies noted in the loan portfolio were brokered loans to out-of-area borrowers, inadequate credit information, a high degree of dependence upon collateral, liberal repayment terms, and weak collection efforts. The lack of an effective management team was considered the bank's primary problem. The institution was relatively new and, at the time of the examination, had already dismissed its president and chief executive officer (CEO). The chairman of the board, who had no prior banking experience, was acting CEO. Before the administrative action was issued, a new president and CEO was employed by the board of directors.

An Agreement required the bank to (1) cease making loans in excess of the bank's lending limit and reduce excessive loans, (2) correct all violations of law, (3) protect interests in criticized assets and implement a program to eliminate criticisms, (4) make no loans to borrowers whose loans were criticized, (5) establish a program to improve collection procedures and reduce delinquent loans, (6) acquire current and satisfactory credit information and collateral documentation on past and future loans, (7) review and revise lending policies, (8) review and maintain an adequate allowance for possible loan losses, and (9) submit monthly reports to the district office.

5. Bank with assets of $25 to $50 million

An examination of the bank disclosed deterioration in the asset quality of its loan portfolio. Classified assets had increased significantly. An inadequate loan loss reserve required a substantial provision to bring it up to a level that would cover potential losses. A poor earnings stream had resulted from high loan losses, and the bank's capital base was eroding due to large charge-offs. The examiners concluded that the bank's problems stemmed primarily from poor credit administration.

A Memorandum of Understanding required the bank to (1) reduce criticized assets and make no additional loans to borrowers whose assets were criticized, (2) review and maintain an adequate allowance for possible loan losses, (3) review and revise the bank's written lending policy, (4) review the internal loan review program to ensure its effectiveness in identifying problem loans in the bank's loan portfolio, and (5) develop a capital plan.

6. Bank with assets of $50 to $100 million

The board of directors had been engaged in a prolonged proxy fight among themselves in order to obtain control of the bank. That struggle caused extremely high turnover of management and rapid deterioration in asset quality, operations, and earnings. Criticized assets, overdue loans, and collateral exceptions were high, and the bank's internal loan review was weak and had failed to identify severe weakening of the credits. In addition, the bank's internal audit procedures and internal controls were inadequate. The bank's earnings had dropped because of [illegible] expenses. The bank's dependence on volatile [illegible] funds threatened to adversely affect the bank. The bank had failed to [illegible] for capital or to prepare a [illegible]

An Agreement required the board of directors to establish a compliance committee responsible for monitoring and coordinating the bank's adherence with the Agreement. The board of directors was required to evaluate the bank's current management and implement a plan to correct any deficiencies noted in its evaluation. A conflict of interest policy was to be adopted to ensure that all transactions and relationships with insiders of the bank were fair and at arm's length. The bank was prohibited from extending credit to criticized borrowers unless failure to do so would be detrimental to the best interests of the bank. The bank was also to adopt a program to strengthen its criticized assets. The board of directors was to adopt a program to improve its collection efforts and reduce the level of delinquent loans and also correct imperfections in collateral documentation. The bank was to review the adequacy of its allowance for possible loan losses on a quarterly basis and take action to remedy deficiencies by making additional provisions from earnings before filing a report of condition. The bank was to design a program to improve and sustain the bank's earnings and to review the adequacy and effectiveness of its funds management policies and make appropriate revisions. Internal audit and control programs were to be developed and implemented to remedy deficiencies. Finally, the bank was to review the duties and responsibilities of its consumer compliance officer and implement a program to ensure that the bank complied with consumer protection and fair lending laws.

7. Bank with assets of $25 to $50 million

Criticized assets were excessive and primarily the result of the bank's rapid growth and lack of attention to loan administration. The bank's lack of adherence to its lending policies, in addition to deficiencies in credit analysis and in obtaining financial information and collateral documentation contributed to the bank's high percentage of criticized assets.

An Agreement required the board of directors to establish a compliance committee to monitor and coordinate the bank's adherence with the Agreement. The compliance committee was to complete a study of the bank's management, management structure, and staffing requirements, and the board of directors was to adopt a written program to remedy any deficiencies noted in the study. The board was to adopt a program to strengthen criticized assets. The bank was prohibited from extending credit to criticized borrowers unless failure to do so would be detrimental to the best interests of the bank. The board was to obtain current and satisfactory credit information for loans lacking such information and to correct all collateral deficiencies. The bank was to obtain the services of an

independent real estate appraiser to provide appraisals for loans lacking them and was prohibited from extending credit on appraisals done for other institutions. The board of directors was to establish a loan review system to identify and categorize problem credits. The bank was to review and revise its lending policies. Violations of 12 USC 84 were to be immediately corrected.

8. Bank with assets of $100 to 250 million

An examination of the bank revealed an undue concentration in energy-related credits. The bank had experienced strong loan expansion, but collateral documentation was absent. Poor lending practices had resulted in excessive classified assets and nonaccrual loans. Earnings were weak and several violations of law had been identified. The allowance for possible loan losses needed to be reviewed and maintained at an adequate level.

An Agreement required correction of all violations of law and adoption of procedures to prevent future violations. The board agreed to implement programs to eliminate all assets from criticized status, improve collection efforts, and review and maintain an adequate allowance for possible loan losses. The board further agreed to develop a profit plan designed to improve the bank's earnings and to notify the OCC should brokered deposits exceed 5 percent of total deposits.

9. Bank with assets of $50 to $100 million

An examination of the bank determined that differences in management philosophy between executive management and a dominant principal owner serving as Chairman of the Board had caused frequent management turnover, unacceptable asset quality, high loan losses, and marginal capital.

A Memorandum of Understanding was executed which required the Bank to conduct a study of bank management and eliminate deficiencies, achieve and maintain at a minimum a fixed ratio of primary capital to total assets, adopt a capital plan, and take action to strengthen criticized assets. The bank was also required to establish a system to ensure adequacy of the allowance for possible loan losses and to develop and implement a consumer compliance program.

10. Bank with assets of less than $25 million

The examination of this bank reflected rapid growth funded through volatile deposits, deteriorating asset quality, excessive credit and collateral exceptions, a large volume of criticized out-of-territory loans, an inadequate allowance for possible loan losses, poor earnings, and inadequate asset/liability management policy and capital planning.

An Agreement was executed which required the bank to: (1) review the effectiveness of board supervision; (2) implement a written program to eliminate the basis for criticism of all criticized assets; (3) collect or strengthen criticized loans to former and existing directors, officers, and shareholders; (4) revise the loan policy; (5) correct credit and collateral exceptions; (6) establish a loan review system; (7) maintain an adequate allowance for possible loan losses; (8) ensure loan participations purchased are in conformance with Banking Circular 181; (9) correct all violations of law and regulation; (10) revise the asset/liability management policy; (11) develop a capital plan; (12) develop a profit plan and budget; (13) refile reports of condition; (14) correct internal control deficiencies; (15) implement an internal audit program; and (16) submit monthly progress reports.

11. Bank with assets of $250 to $500 million

The examination disclosed aggressive growth and an excessive volume of criticized assets, violations of law and regulation, internal loan review, poor quality loan participations purchased, inadequate allowance for possible loan losses, inadequate liquidity, and overreliance on volatile funding sources.

An Agreement was executed which required the bank to: (1) implement a written program to eliminate the basis of criticism for all criticized assets; (2) ensure loan participations purchased conform to Banking Circular 181; (3) correct all credit and collateral exceptions; (4) ensure an effective loan review system is implemented; (5) maintain an adequate allowance for possible loan losses; (6) maintain an adequate capital base; (7) develop a strategic plan and budget; and (8) correct all violations of law and regulation.

12. Bank with assets of less than $25 million

An examination disclosed unsatisfactory asset quality primarily resulting from the purchase of poor quality loan participations. Rapid growth, poor earnings and the lack of an adequate capital plan were additional factors of concern.

An Agreement was executed which required the bank to implement a written program to eliminate the basis of criticism for all criticized assets, require loan participations to conform with Banking Circular 181, insure an effective internal loan review system, maintain an adequate allowance for possible loan losses, develop a 3-year capital plan, and develop a budget and strategic plan.

13. Bank with assets of $25 to $50 million

An examination disclosed high levels of criticized assets, poor quality loan participations purchased, excessive credit and collateral exceptions, an inadequate allowance for possible loan losses, excessive reliance on volatile funding sources, inadequate liquidity, poor earnings, and inadequate capital.

An Agreement was executed which required the bank to: (1) conduct a management study; (2) implement a written program to eliminate the basis of criticism for criticized assets; (3) ensure purchased loan participations conform with Banking Circular 181; (4) correct credit and collateral exceptions; (5) maintain an adequate allowance for possible loan losses; (6) maintain an adequate capital base; (7) revise the asset liability management policy; (8) develop a strategic plan and budget; (9) revise the investment policy; and (10) correct all violations of law and regulation.

14. Bank with assets of less than $25 million

This bank had experienced rapid growth and an examination reflected asset quality deterioration seen as excessive criticized assets, excessive credit and collateral exceptions, an inadequate allowance for possible loan losses, and poor quality, purchased, loan participations. Overreliance on volatile funding sources, inadequate liquidity, poor earnings, and violations of law and regulation were also noted. Staffing was inadequate to effectively monitor and control growth.

An Agreement was implemented which required the bank to: (1) conduct a management study; (2) implement a written program to eliminate the basis of criticism for all criticized assets; (3) ensure adequate controls for loan participations purchased; (4) correct credit and collateral exceptions; (5) maintain an adequate allowance for possible loan losses; (6) revise asset/liability management policy; (7) correct violations of law and regulation; (8) maintain adequate capital; and (9) develop a strategic plan and budget.

15. Bank with assets of $25 to $50 million

An examination reflected substantial asset quality deterioration with excessive classified assets, an unacceptable level of credit and collateral exceptions, excessive reliance on volatile funding sources, an inadequate allowance for possible loan losses, poor quality loan participations purchased, an inadequate loan review, lack of compliance with the written lending policy, inadequate capital planning, and poor earnings.

An Agreement [illegible] required the board to: (1) [illegible] management; (2) revise the asset/liability management policy; (3) develop and implement a written program to eliminate the basis for criticism of all criticized assets; (4) establish adequate controls for loan participations purchased; (5) ensure implementation of an effective loan review function and adherence to written lending directives; (6) correct credit and collateral exceptions; (7) ensure the maintenance of an adequate allowance for possible loan losses; (8) maintain adequate capital; (9) develop a strategic plan and supporting budget; (10) revise the investment policy; (11) correct all violations of law and regulation; and (12) submit monthy progress reports.

16. Bank with assets of $25 to $50 million

A specialized examination conducted in mid-1983 disclosed significant deterioration in the bank's condition. The primary problems were excessive classified assets, increasing nonaccrual loans, and declining earnings. Loan administration and supervision were unsatisfactory. A large provision to the allowance for possible loan losses was made during the examination to bring the reserve to an adequate level.

An Agreement required the board to: (1) appoint or employ a capable senior lending officer; (2) develop a written program to remove each criticized asset from that status; (3) certify the reasons for any additional extensions of credit to criticized borrowers; (4) ensure that adequate credit information is obtained and analyzed on all borrowers; (5) establish procedures to ensure no new loans, renewals, or extensions are granted until current and satisfactory credit information is obtained and analyzed; (6) review and amend the written loan policy; (7) implement an effective problem loan identification system; (8) establish procedures to ensure that an adequate allowance for possible loan losses is maintained; (9) adopt and implement written policies governing the supervision and control of nonaccrual loans; and (10) notify the Deputy Comptroller before paying dividends.

17. Bank with assets of $50 to $100 million

An examination conducted in mid-1983 disclosed that the bank's condition was unsatisfactory. The primary problems were excessive classified assets, heavy loan losses, declining interest margins, and substantial deterioration in the bank's capital position. The allowance for possible loan losses was considered inadequate, and a relatively large provision was required to return it to an acceptable level. Numerous deficiencies were noted in the administration and supervision of the loan portfolio.

A Memorandum of Understanding required the board to: (1) develop a written program to remove each

criticized asset from that status, (2) certify the reasons for any additional extensions of credit to criticized borrowers, (3) implement an effective problem loan identification system, (4) establish procedures to ensure that an adequate allowance for possible loan losses is maintained, (5) develop and implement written guidelines for asset and liability management, (6) develop and implement a 3-year capital program, and (7) develop a profit plan.

18. Bank with assets of $50 to $100 million

An examination disclosed significant deterioration in the bank's condition. The primary problems were excessive classified assets, heavy loan losses, declining earnings, and an inadequate allowance for possible loan losses. A large provision was made during the examination to bring that reserve to an adequate level. Loan administration and supervision was weak and funds management had been ineffective.

An Agreement required the board to: (1) analyze management needs and ensure that all officers are capable individuals; (2) develop a written program to remove each criticized asset from that status; (3) certify the reasons for any additional extensions of credit to criticized borrowers; (4) ensure that adequate credit information is obtained and analyzed on all borrowers; (5) establish procedures to ensure no new loans, renewals, or extensions are granted until current and satisfactory credit information is obtained and analyzed; (6) review and amend the written loan policy; (7) establish procedures to ensure that an adequate allowance for possible loan losses is maintained; (8) develop and implement written guidelines for asset/liability management; and (9) notify the Deputy Comptroller before paying any dividends.

19. Bank with assets of less than $25 million

An examination disclosed that the bank's condition was unsatisfactory. Excessive classified assets, heavy loan losses, declining earnings, and an inadequate allowance for possible loan losses were the primary problems noted. These problems were attributed to liberal lending practices and ineffective supervision by the board.

An Agreement required the board to: (1) analyze management needs and ensure that all officer positions are filled with capable individuals; (2) develop a written program to remove each criticized asset from that status; (3) certify the reasons for any additional extensions of credit to criticized borrowers; (4) ensure that adequate credit information is obtained and analyzed on all borrowers; (5) establish procedures to ensure no new loans, renewals, or extensions are granted until current and satisfactory credit information is obtained and analyzed, (6) implement an effective problem loan identification system, (7) establish procedures to ensure that an adequate allowance for possible loan losses is maintained, and (8) develop and implement written guidelines for management of the bank's assets and liabilities

20. Bank with assets of less than $25 million

An examination disclosed significant deterioration in the bank's condition. Classified assets had increased to an unacceptable level, earnings had declined and loan administration and supervision had become ineffective. The allowance for possible loan losses was inadequate and a provision was made during the examination. Five violations of consumer laws were disclosed during the examination

An Agreement required the board to: (1) develop a written program to remove each criticized asset from that status, (2) certify the reasons for any additional extensions of credit to criticized borrowers, (3) implement an effective problem loan identification system, (4) establish procedures to ensure that an adequate allowance for possible loan losses is maintained, (5) develop a written investment policy, (6) adopt and implement policies governing the supervision and control of nonaccrual loans, (7) develop and implement a profit plan, and (8) develop and implement a written consumer compliance program.

21. Bank with assets of $25 to $50 million

A recent examination revealed that significant asset deterioration, poor credit administration and supervision, and marginal earnings performance were the major problems confronting the institution. Many credits lacked necessary documentation, a repayment program, description of collateral pledged and its value, and current financial information Nonaccrual loans had increased dramatically Narrow interest margins were compounded by high loan losses which caused capital to be marginal

An Agreement required the bank to develop a capital plan and to achieve and maintain a certain primary capital ratio by June 30, 1984 and a higher ratio by September 30, 1984 The Agreement prohibited the payment of dividends except when in conformity with law and with prior written notification to the Director for Bank Supervision The Agreement also called for a plan to eliminate the grounds for criticism of each asset in excess of $25,000 and a prohibition on additional credit to criticized borrowers unless in the best interest of the bank and with prior written approval of the board The bank was required to implement a loan review program conduct quarterly reviews of the adequacy of the allowance for possible loan losses

[illegible] a program to improve collections and control over delinquent loans, obtain and maintain current and satisfactory credit information, and develop a written funds management policy. Finally, the bank agreed to implement a written securities trading policy and ensure that trading activities are accounted for properly.

22. Bank with assets of $100 to $250 million

An examination of the bank revealed poor asset quality, excessive classified assets, and high loan delinquencies. Heavy losses were identified, and a sizeable volume of doubtful assets remained. Those problems were attributed to lax supervision of the loan portfolio, liberal lending practices, and ineffective written policies. Narrow net interest margins contributed to a mid-year net operating loss. Large provisions to the allowance for possible loan losses were made in the third quarter and a sizeable net loss was anticipated for the year. Inadequate written policies were noted in several key areas, and the bank lacked a formal budgeting process. These deficiencies were fundamental to the overall deterioration of the bank.

An Agreement was signed which addressed: (1) improving asset quality, (2) increasing collection procedures, (3) enhancing loan policy, (4) monitoring the allowance for possible loan losses more closely, (5) creating a strategic plan and a profit plan which encompass funds management, asset growth, and capital adequacy, and (6) revising the bank's investment policy.

23. Bank with assets of less than $25 million

Since 1980, the bank had been operating under an Agreement addressing various deficiencies in the bank's overall operations. The Agreement was modified in 1981 to require a new chairman of the board. A recent examination revealed further deterioration in the bank: poor asset quality, questionable bond transactions, and insider abuse.

The Agreement was further modified to require the bank to: (1) revise the investment policy, (2) ensure that no securities trading activities take place within the investment portfolio, (3) revise the internal loan review program, (4) monitor written policies for compliance, and (5) justify compensation received by directors and principal shareholders.

24. Bank with assets of $25 to $50 million

An examination [illegible] revealed substantial deterioration in the bank's [illegible] with problems centered in the [illegible]

were noted, and policies for funds management, internal audit, and lending were non-existent or deficient. Credit and collateral exceptions were also excessive.

A Formal Agreement was entered into with the board of directors which required the bank to: (1) develop and implement a written program designed to eliminate the basis of criticism for all criticized assets, (2) correct credit and collateral documentation exceptions, (3) develop adequate policies for asset liability management, internal audit, and lending, (4) maintain adequate capitalization, (5) improve collection procedures and internal controls; and (6) provide monthly progress reports.

25. Bank with assets of less than $25 million

The bank had entered into an Agreement in 1981 which addressed asset quality, capital, and violations of law. While progress has been made in those areas, a recent examination had disclosed trading in the bank's investment portfolio, poor earnings, and several internal control deficiencies.

The Agreement was modified to require the bank to: (1) revise the investment policy, (2) discontinue trading within the investment portfolio, (3) design a program to improve and sustain earnings, and (4) correct internal control deficiencies.

26. Bank with assets of $25 to $50 million

A recent examination of the bank revealed poor asset quality with excessive classified assets. Heavy loan losses were identified and a sizable volume of doubtful assets remained. These problems were attributed to lax loan documentation and credit standards, compromise of written policies, and lack of sufficient loan review. Two violations of the legal lending limit were noted, both involving substantial loss to the bank. These violations were not subsequently posted to the customers' accounts. Although those transactions spanned a several-month period, they were not reported to the board and reflected the poor internal controls of the bank. Losses had rendered the allowance for possible loan losses inadequate and provisions needed were likely to erase earnings. Liquidity was considered marginal and the bank was a frequent borrower of funds.

An Agreement required the bank to: (1) monitor criticized assets and address deficient loan documentation and deficiencies, (2) correct violations of law and employ independent counsel to determine directors' liability for legal lending limit losses, (3) maintain an adequate allowance for possible loan losses, and (4) revise funds management policies to cover the subject of liquidity and bank borrowings.

27. Bank with assets of $100 to $250 million

A recent examination revealed that the bank had incurred several violations of 12 USC 84 as well as other laws. Departures had left the bank in need of management and staffing. Much of the real estate collateralizing a significant portion of the bank's loans lacked current appraisals, which caused the loans to be classified. The bank had excessive classified assets. The bank lacked a written lending policy. Numerous collateral exceptions existed and current and satisfactory credit information was not available for numerous loans. The bank did not have an internal loan review program; in addition, the bank's allowance for possible loan losses needed to be reviewed and kept at an adequate level. Collection efforts were not strong and recovery of charged-off assets needed to be improved. The bank needed a capital injection to reach the required minimum level of 7 percent of total assets. A new capital plan was needed. The bank also needed a written liquidity and asset and liability management policy, and to revise its management information system. Violations of consumer law showed the need for a consumer compliance program. Written policies for proper trust asset administration were also needed.

An Order to Cease and Desist was issued requiring the bank to correct all violations of 12 USC 84 and other violations of law, including consumer and trust violations. A management study was called for and management deficiencies found were to be remedied. The bank was required to engage an independent appraiser to prepare a written appraisal of the real estate that served as collateral for much of the bank's loan portfolio. A written program was to eliminate the basis for criticism of assets of $100,000 or more, and such assets were to be reviewed for compliance at least monthly. The bank was to adopt a revised written lending policy and to correct all collateral deficiencies. Current and satisfactory credit information was to be obtained for all loans identified in the report of examination, and no new credit was to be extended without obtaining and analyzing current and satisfactory credit information. An internal loan review program was to be formulated and implemented, and the bank's allowance for possible loan losses was to be reviewed at least quarterly with a program established to maintain it at an adequate level. A written charge-off policy was to be implemented with a program to improve and strengthen collection efforts. Primary capital was to be maintained at an established level and a new, written capital plan was to be adopted looking to future sources of capital. The bank's dividends were restricted and subject to prior approval by the Deputy Comptroller. An asset/liability and liquidity management policy was to be revised.

28. Bank with assets of less than $25 million

Insider abuses by the Chairman of the Board were present. Excessive dividends, salaries, management fees, borrowings, and various forms of operating expenses were damaging the bank. Repeat violations of 12 USC 375a and 375b were discovered. The bank's capital position was marginal. Supervision by the Board and management was weak. Funds management practices were unsatisfactory and audit procedures inadequate. The bank was in substantial noncompliance with a Formal Agreement.

A Notice of Charges was served on the bank concerning: violations of law, loan administration, internal loan review, the allowance for possible loan losses, funds management, financial planning, internal controls, internal audit, fees paid to directors, and electronic data processing. Subsequent to service of the Notice, the bank was sold and the Chairman of the Board resigned. Based upon those external factors the Notice of Charges was withdrawn.

29. Bank with assets of $100 to $500 million

The bank had experienced a significant decline in asset quality. Classified assets had more than doubled since the last examination. The increase in classified assets was the result of loans to economically depressed industries and management's continued willingness to lend to those industries. Several classified assets had been purchased from affiliated and other banks, and several represented loans to finance bank ownership. Primary capital was considered marginal. The last examination had been kept open because of a fraudulent loan situation that affected approximately 20 banks. The bank suffered a significant loss as a result of that fraud.

An Agreement required a written program to: eliminate the basis for criticism of each asset criticized, establish a program, and program review, for the maintenance of an adequate allowance for possible loan losses; develop a profit plan to improve and sustain earnings; maintain a primary capital equal to 7 percent of total assets; and adopt and implement a 3-year strategic plan for growth, capital adequacy, etc. The Agreement also prohibited loan participation unless consistent with OCC guidelines and the declaring and paying of dividends subject to certain restrictions.

30. Bank with assets of less than $25 million

Weak ineffective management and board supervision had resulted in the bank's deterioration. Criticized assets had increased significantly and excessive loan losses had been incurred. Low net interest margins, high overhead expenses, and heavy loan loss provi-

sions resulted in loss operations for 1983. Capital was adequate.

An Agreement was executed which required the bank to: (1) evaluate management, (2) develop a program to eliminate criticized assets, (3) establish an internal loan review program, (4) correct lending deficiencies, (5) obtain satisfactory credit information, (6) develop procedures for nonaccrual loans, (7) develop procedures for acquiring loan participations, (8) review and maintain an adequate allowance for possible loan losses, (9) develop a funds management policy, (10) revise the investment policy, (11) develop a profit plan, (12) develop a capital plan, (13) correct all violations of law, (14) improve the internal audit function, and (15) correct all internal control deficiencies.

31. Bank with assets of less than $25 million

A recent examination revealed that the condition of the bank had deteriorated. Classified assets had increased dramatically. The bank had failed to collect overdue loans and there were significant credit and collateral exceptions. Substantial discrepancies between subsidiary and general balances were unreconciled. The allowance for possible loan losses was inadequate and violations of law were cited. Criminal referrals were made against the culpable officer who subsequently resigned. The chief executive officer also resigned leaving the bank without key management.

An Order to Cease and Desist required appointment of a chief executive officer and internal auditor, creation of a written capital plan, prohibition of further extensions of credit to criticized borrowers, a criticized asset program, and independent appraisals of real property. The bank was further required to correct credit and collateral deficiencies, reconcile accounting records, restrict dividends, and review and replenish the allowance for possible loan losses. Finally, a liquidity plan and an overdraft policy were called for along with correction of violations of law.

32. Bank with assets of $500 million to $1 billion

A recent examination revealed substantial deterioration in loan quality, primarily because of inadequate supervision, especially in the energy area. In addition, the bank was operating without an adequate funds management policy. Policies and procedures governing trust department administration and supervision were poor. Because of the problems facing the bank, the reserve for loan losses was insufficient, earnings were poor, and capital had been affected.

An Agreement required the bank to: (1) adopt a written program to eliminate the basis of criticism for each criticized asset, (2) revise its lending policy, (3) establish an independent internal loan review function, (4) implement policies and procedures to identify and control concentrations in the loan portfolio, (5) correct credit and collateral exceptions, (6) maintain an adequate allowance for possible loan losses, (7) adopt a 3-year capital plan, (8) correct violations of law and adopt procedures to prevent their recurrence, (9) revise policies and procedures governing trust department operations, (10) correct internal control deficiencies, and (11) formulate a written funds management policy including guidelines concerning the use of brokered funds.

33. Bank with assets of less than $25 million

A comprehensive examination disclosed the seriously deteriorated condition of the bank. Numerous violations of law and continuing unsafe and unsound banking practices were revealed. Specifically, capital was inadequate, liquidity was strained, and classified assets had increased dramatically. A targeted examination disclosed further deterioration of the loan portfolio. As a result of charge-offs, capital had declined to a critical level.

An Order to Cease and Desist required the bank to: (1) immediately inject additional capital and, thereafter, maintain an acceptable level of primary capital; (2) obtain prior approval before declaring any dividend; (3) take action to protect its interest with respect to criticized assets; (4) obtain independent written appraisals for the primary collateral supporting criticized assets; (5) correct violations of law and adopt procedures to prevent recurrence of similar violations; (6) implement nonaccrual loan policies and procedures; (7) employ a qualified senior loan officer; (8) employ an independent consultant to perform a management study; (9) implement a management succession plan; (10) adopt a conflict of interest policy; (11) review and revise the lending policy; (12) establish a loan review system; (13) review the adequacy of the allowance for possible loan losses; (14) obtain current credit and collateral documentation; (15) strengthen collection efforts; (16) implement a funds management policy; (17) review liquidity; (18) review and revise the investment policy; (19) develop a profit plan; (20) implement an internal audit program; (21) correct internal and external audit deficiencies in the electronic data processing function; and (22) take action to comply with 12 CFR 7.5225.

34. Bank with assets of $100 to $250 million

An examination revealed overall deterioration in the condition of the bank. Asset quality and poor management, particularly in the lending area, were the principal problems facing the bank. Those problems ad-

versely affected other areas of the bank including earnings, capital, and the allowance for possible loan losses.

An Agreement required the bank to: (1) take immediate action to protect its interest regarding criticized assets, (2) complete a study of management and act to eliminate deficiencies; (3) employ independent outside counsel to review extensions of credit in violation of 12 USC 84; (4) prepare a 3-year business plan; (5) maintain an adequate capital level; (6) develop a 3-year capital plan; (7) notify the Deputy Comptroller prior to declaring any dividend; (8) correct violations of 12 USC 84 and other violations of law, regulation, and rules and establish procedures to prevent recurrence of similar violations; (9) strengthen collection efforts; (10) take action to obtain policies and procedures; (11) review and revise the lending policy; (12) establish an independent loan review system; (13) review the adequacy of the allowance for possible loan losses; and (14) develop and implement a written internal audit program.

35. Bank with assets of $25 to $50 million

An examination revealed significant deterioration in the bank's condition. Management's supervision of the bank's affairs was considered the principal cause of the bank's problems. Asset quality was poor and numerous violations of law, including infractions of 12 USC 84, were detected. The bank's capital, reserve for possible loan losses, and liquidity were inadequate. Poor earnings performance aggravated existing problems.

An Order to Cease and Desist required the bank to: (1) correct violations of 12 USC 84 and other laws, rules, or regulations, and adopt procedures to prevent recurrence, (2) adopt a plan to indemnify the bank against losses incurred as a result of loans made in violation of 12 USC 84; (3) conduct a management study and implement measures to strengthen management; (4) review and revise the loan policy; (5) take action to protect its interest with respect to criticized assets; (6) implement a policy regarding participations with affiliates; (7) correct credit and collateral exceptions; (8) improve collection efforts; (9) develop procedures governing nonaccrual loans; (10) establish a loan review system; (11) review the adequacy of the allowance for possible loan losses: (12) implement a funds management policy; (13) development a profit plan; (14) achieve and maintain an adequate primary capital level; and (15) develop a 3-year capital program.

36. Bank with assets of less than $25 million

An examination indicated a rapidly deteriorating situation. Asset quality had declined and loss classifications had increased substantially. The allowance for possible loan losses was inadequate to cover losses. Violations of law were numerous, both involving insiders and losses to the bank. Out-of-territory loans were excessive, and the majority of them were classified. The president's resignation had caused daily management to become a problem. Earnings were weak and capital was inadequate.

An Order to Cease and Desist required the bank to (1) immediately inject capital, with the goal of achieving a fixed minimum capital ratio and establishing a capital plan, (2) restrict payment of dividends, (3) employ or appoint a chief executive officer, (4) adopt a program to eliminate criticized assets and extend no additional credit to borrowers whose credits were criticized; (5) correct violations of law, (6) employ special counsel to report on a lending limit violation involving loss to the bank; (7) review and revise the lending policy; (8) establish a loan review system; (9) adopt nonaccrual loan policies; (10) obtain complete credit information on loans that lacked it and grant no further loans without such information; (11) implement a program to strengthen collection efforts; and (12) cease extending credit to borrowers outside the bank's designated trade area.

37. Bank with assets of less than $25 million

An examination revealed that the bank had continued to incur heavy loan losses. Bank management had not recognized the losses in a timely manner. The bank had also upstreamed a large amount of dividends to the holding company. There had been no improvement in classified assets. Because of the losses, primary capital also had been reduced.

An Agreement required the bank to implement a written program to reduce criticized assets, stop lending to borrowers whose assets were criticized, review the allowance for possible loan losses and correct any deficiency, limit dividend payments, maintain a minimum fixed ratio of primary capital to total assets, and develop a capital plan.

38. Bank with assets of $50 to $100 million

A recent examination revealed that the bank's condition had declined and that lending control was lax and supervision by the board of directors was inadequate. Criticized assets were inordinately high. Principal supervisory weaknesses in the lending area included a high volume of credit file exceptions, undocumented extension practices, particularly in real estate and installment lending, several liberal restructurings of commercial credits, an out of date loan policy, and inadequate procedures for periodically analyzing the allowance for possible loan losses. The planning [illegible]

[illegible] historically been loosely organized and an operating budget was not utilized

An Agreement required the bank to appoint a compliance committee of three outside directors to monitor the bank's compliance with the document and furnish periodic reports to the District Administrator and correct all violations of law cited in the examination report and develop procedures to prevent their recurrence. The bank agreed to: (1) analyze the quality and depth of current management, particularly within the lending function, (2) adopt a written plan to eliminate the basis of criticism for criticized assets larger than $35,000, (3) restrict lending to criticized borrowers, (4) revise and implement a problem loan identification system, (5) document the adequacy of the allowance for possible loan losses at least quarterly, (6) revise and adopt a written loan policy, (7) obtain current and satisfactory credit information on all loans, and (8) formalize the bank's overall planning process.

39. Bank with assets of $100 to $250 million

An examination revealed excessive criticized assets, several credit and collateral exceptions, undue concentrations of credit, an inadequate loan review system, management deficiencies, and several violations of law.

A Memorandum of Understanding was agreed to which required the bank to: appoint a compliance committee, eliminate the basis of criticism for criticized assets, correct credit and collateral exceptions, review concentrations of credit, revise the loan review system, conduct a study of management in the lending area, and correct violations of law.

40. Bank with assets of $25 to $50 million

An examination disclosed a deteriorating asset condition. Classified assets were excessive, lax and complacent lending practices were noted, credit and collateral exceptions were excessive, management and board supervision was inadequate, and investment trading was being conducted without adequate policy directives. Several violations of law and regulation were also noted. Capital adequacy was below OCC guidelines, and the allowance for possible loan losses was inadequate.

An Agreement was entered which required the bank to correct all violations of law and regulation, conduct a study of [illegible] management, and develop and implement a written program to eliminate the basis for criticism for all criticized assets. The bank was further required to correct credit and collateral exceptions, [illegible] written [illegible] policy, [illegible] the adequacy of the allowance for possible loan losses quarterly, maintain an adequate capital level, and revise the investment policy to provide effective guidelines for securities trading. Monthly progress reports were also required.

41. Bank with assets of $50 to $100 million

Examination of the bank reflected serious deterioration in asset quality, heavy loan losses, excessive credit and collateral exceptions, excessive delinquent and nonaccrual loans, inadequate capital, an inadequate allowance for possible loan losses, inadequate supervision, violations of written policies, and numerous violations of law and regulation.

An Order to Cease and Desist was issued which required the bank to: (1) employ capable management, (2) review management and staffing, (3) evaluate board supervision, (4) adopt a comprehensive conflict of interest policy, (5) maintain adequate capital, (6) restrict dividends, (7) develop a profit plan and budget, (8) eliminate the basis of criticism for all criticized assets, (9) restrict lending to criticized borrowers, (10) collect or strengthen loans to specifically identified insider interests, (11) assure loan participations conform to banking circular 181, (12) correct credit and collateral exceptions, (13) strengthen collections policy, (14) establish a loan review system, (15) maintain an adequate allowance for possible loan losses, (16) assure adherence to the lending policy, (17) correct violations of 12 USC 84, (18) correct consumer violations of law and regulation, (19) revise the asset liability management policy, (20) correct internal audit and internal control deficiencies, and (21) refile reports of conditions.

42. Bank with assets of $25 to $50 million

An examination revealed severe asset quality deterioration, excessive credit and collateral exceptions, excessive delinquent loans, inadequate supervision, strong growth, inadequate allowance for possible loan losses, poor earnings, and inadequate capital.

An Order to Cease and Desist was issued which required the bank to: (1) conduct a study of management, (2) evaluate board effectiveness, (3) implement a conflict of interest policy, (4) strengthen collection procedures, (5) eliminate the basis of criticism for all criticized assets, (6) restrict credit to certain specified borrowers, (7) assure loan participations conform to banking circular 181, (8) correct credit and collateral exceptions, (9) establish a loan review system, (10) maintain an adequate allowance for possible loan losses, (11) revise the lending policy, (12) revise the asset/liability management policy, (13) correct all viola-

lations of law and regulation, (14) maintain adequate capital, and (15) develop a profit plan and budget.

43. Bank with assets of $50 to $100 million

An examination of the bank disclosed severe deterioration in asset quality, abusive practices by bank insiders, inadequate capital, heavy loan losses, and strained liquidity. An Order to Cease and Desist was issued; however, a subsequent examination resulted in severe loss which threatened the bank's solvency. A Temporary Order to Cease and Desist was issued which required the injection of capital, restricted lending to certain specified borrowers, and restricted the activities of certain bank insiders.

An amended Order to Cease and Desist was issued which required the bank to: (1) conduct an analysis and review of management, (2) adopt a comprehensive conflict of interest policy, (3) conduct a study of board effectiveness, (4) restrict activity of certain bank insiders, (5) maintain an adequate capital base, (6) restrict dividend payments, (7) develop a budget, (8) reduce and strengthen criticized purchased assets, (9) correct credit and collateral exceptions, (10) improve collection procedures, (11) establish a loan review system, (12) maintain an adequate allowance for possible loan losses, (13) revise the written loan policy, (14) correct violations of 12 USC 84 and retain outside counsel to review the violations, (15) correct all violations of law and regulation, (16) revise the asset/liability management policy, (17) correct internal control deficiencies, and (18) develop consumer compliance procedures to prevent violations of consumer regulations.

44. Bank with assets of more than $1 billion

An examination disclosed deterioration in asset quality, confusion regarding the roles and responsibilities of senior management, and erosion of capital.

A Memorandum of Understanding addressed the areas of primary concern. The Memorandum required that the board of directors conduct a study of management then adopt a program to implement any changes necessary to improve management. It also required that expeditious action be taken to improve the bank's position with regard to poor quality assets. A 3-year capital program was also required.

45. Bank with assets of more than $1 billion

An examination disclosed deterioration in asset quality, weaknesses in internal loan reviews, lack of a standard for recognizing loss in the loan portfolio, inadequate monitoring of the allowance for possible loan losses, and the need for an operating plan and a management study.

An Agreement required the board to improve its internal loan review system, develop standard criteria for recognition of loss in the bank's asset portfolio, improve the bank's procedures for monitoring the adequacy of its allowance for possible loan losses, protect the bank's interest in poor quality assets, develop strategic and operating plans, and conduct a study of management.

46. Bank with assets of more than $1 billion

An examination of the bank disclosed deterioration in asset quality, weaknesses in the bank's loan review system, lack of criteria for recognizing losses in its loan portfolio, inadequate monitoring of the adequacy of the bank's allowance for possible loan losses, a need for a management study, and a strategic operating plan.

An Agreement required the bank's board of directors to improve the bank's internal loan review system, develop standard criteria for the recognition of loss, improve the bank's procedures for monitoring the adequacy of its allowance for possible loan losses, protect the bank's interest in its poor quality assets, develop strategic and operating plans, and conduct a study of management.

47. Bank with assets of over $1 billion

An examination of the bank disclosed deterioration in asset quality and weaknesses in related systems, including its loan review system, loss recognition policy, nonaccrual loan procedures, allowance for possible loan loss policy, lending policy and a study of management.

An Agreement required the bank's board of directors to: (1) improve the bank's internal loan review system, (2) develop standard criteria for the recognition of loss in the bank's asset portfolio, (3) develop comprehensive nonaccrual loan control procedures, (4) improve the bank's procedures for monitoring the adequacy of its allowance for possible loan losses, (5) revise the bank's policies and procedures relating to commercial real estate construction loans, (6) protect the bank's interest in its poor quality assets, (7) develop strategic and operating plans, and (8) conduct a study of management.

48. Bank with assets of $25 to $50 million

A recent examination revealed significant asset deterioration. Credit administration and supervision were poor. Earnings were marginal. Classified assets had more than doubled. Many credits lacked necessary documentation as to purpose, repayment program, collateral description and value, and current financial

[illegible] Narrow [illegible] compounded by high [illegible] to become marginal.

An Agreement required the bank to develop a capital plan and to achieve and maintain primary capital equal to 6.75 percent of total assets by June 30, 1984 and equal to 7 percent by September 30, 1984. The payment of dividends was prohibited except in conformity with law and with prior written notification to the Deputy Comptroller. The bank was to develop a plan to eliminate the grounds for criticism of any asset of more than $25,000, and was prohibited from extending additional credit to criticized borrowers unless in the best interest of the bank and with prior written approval of the board. The bank agreed to implement a loan review program, conduct quarterly reviews of the adequacy of the bank's allowance for possible loan losses, and develop a program to improve collections and control over delinquent loans. Further, the bank was directed to obtain and maintain current and satisfactory credit information, develop a written funds management policy, and implement a written securities trading policy ensuring that trading activities are accounted for properly.

49. Bank with assets of $25 to $50 million

An examination revealed numerous violations of law. The internal audit function was inadequate. Supervision of the affairs of the bank by the board of directors was lacking. The bank's compensation program and its handling of employees' and officers' expenses needed review.

A Memorandum of Understanding required the bank to correct all violations of law and institute procedures to prevent their recurrence, appoint a compliance committee of three independent directors to review the reasonableness and propriety of compensation and expenses of bank officers and employees, and develop a program to strengthen and improve the internal audit function.

50. Bank with assets of $25 to $50 million

An examination had revealed substantial deterioration in the commercial loan portfolio and numerous operational deficiencies. Strong supervision and administration of the loan portfolio by management and the board was lacking. Problem loan identification proce[illegible] [illegible] policy was [illegible] statement exceptions were exces[illegible] [illegible] possible loan [illegible]

agement policy, informal board reports, and inadequately protected electronic data processing files.

A Agreement required immediate correction of all cited violations of law, written programs to eliminate all assets from a criticized status, and elimination of credit file exceptions. The board of directors was also required to perform an evaluation of management, establish an adequate loan review system, perform quarterly reviews of the adequacy of the allowance for possible loan losses, revise the lending policy, adopt a formal funds management policy, and review and analyze earnings in conjunction with the preparation of a budget. The Agreement also called for a review and revision of the investment policy, a policy for safe storage of electronic data processing files and preparation of formal board reports.

51. Bank with assets of $25 to $50 million

An examination had revealed ineffective supervision by the board and management which had resulted in significant deterioration in the condition of the bank. The primary problem area was asset quality. Large loan loss provisions were necessary and resulted in loss operations. Policies in major areas, including funds management, loan review, nonaccruals, and investments were either unsatisfactory or nonexistent. The allowance for possible loan losses had not been maintained at an adequate level. A capital plan was lacking. Several violations of law were noted.

An Agreement was executed which required the bank to: (1) evaluate management, (2) develop a program to improve criticized assets, (3) obtain satisfactory credit information, (4) strengthen collection efforts, (5) establish a loan review system, (6) revise the loan policy, (7) develop a nonaccrual loan policy, (8) review and maintain an adequate allowance for possible loan losses, (9) develop a capital plan, (10) develop a profit plan, (11) develop a funds management policy, (12) revise the investment policy, (13) develop an internal audit program, (14) correct internal control deficiencies, and (15) correct violations of law.

52. Bank with assets of $25 to $50 million

An examination disclosed numerous violations of law and that there was no internal audit. Board supervision was not adequate and the management team, although competent, was not allowed to function properly.

A Memorandum of Understanding required the bank to correct all violations of law and institute procedures to prevent their recurrence, appoint a compliance committee of three independent directors to review

the reasonableness and propriety of compensation and expenses of bank officers and employees, and develop a program to strengthen and improve the internal audit function.

53. Bank with assets of $50 to $100 million

An examination revealed a continuing high level of criticized assets. Poor asset quality, declining net interest margins, and high non-interest expenses had negatively impacted earnings and placed a heavy burden on capital adequacy. Periodic reviews of the adequacy of the allowance for possible loan losses were not made.

A Memorandum of Understanding required the bank to develop a program to eliminate criticized assets, obtain and analyze credit information, review and maintain an adequate allowance for possible loan losses, adhere to the written loan policy, revise the investment policy, and give prior notification before paying dividends.

54. Bank with assets of $25 to $50 million

A recent examination disclosed significant deterioration in the bank's condition. Classified assets had become excessive primarily because of weak loan administration. The allowance for possible loan losses was inadequate and a substantial provision was required to bring it to an acceptable level. Ineffective funds management practices had adversely affected net interest margins and earnings. Management was questionable and several violations of law were noted.

An Agreement required the bank to develop a program to eliminate criticized assets, establish a loan review system, revise the lending policy, obtain and review current and satisfactory credit information, review and maintain an adequate allowance for possible loan losses, conduct a study of current management and implement a management plan to correct any deficiencies noted, improve and strengthen collection efforts, develop a funds management policy, pay dividends in accordance with applicable law, and correct violations of law.

55. Bank with assets of $25 to $50 million

An examination revealed continued deterioration in asset quality. Classified assets had increased because of poor lending supervision. Inadequate credit analysis, poor documentation, and ineffective collection efforts were all apparent. Additionally, the internal loan review system was unreliable and the absence of loan, investment, and funds management policies noted.

An Agreement required the bank to develop a program to eliminate criticized assets, establish a loan review system, revise the lending policy, obtain and review current and satisfactory credit information, review and maintain an adequate allowance for possible loan losses, conduct a study of current management, implement a management plan to correct any deficiencies noted, review and revise the investment policy, develop a funds management policy, pay dividends in accordance with applicable law, and formulate a written program to improve and sustain earnings.

56. Bank with assets of $25 to $50 million

An examination disclosed serious deterioration in the bank's condition. The volume of classified assets had become excessive primarily because of ineffective lending policies and weak supervision of the loan portfolio during a period of declining economic conditions. The allowance for possible loan losses was inadequate and a substantial provision was required during the examination. Heavy loan losses during the past 2 years severely impacted earnings and resulted in an operating loss for 1983. Capital remains adequate.

An Agreement required the bank to develop a program to eliminate criticized assets, establish a loan review system, revise the lending policy, obtain and review current and satisfactory credit information, review and maintain an adequate allowance for possible loan losses, appoint or employ a capable person to serve as senior lending officer, develop a funds management policy, pay dividends in accordance with applicable law, and correct violations of law.

57. Bank with assets of less than $25 million

The bank was operating under a Temporary Order to Cease and Desist because of gross mismanagement and suspected fraud by the bank's president and chief executive officer. Subsequent examination of the bank disclosed, in addition to the mismanagement, insider abuse, interbank shifting of problem loans, and other questionable practices.

An Order to Cease and Desist was issued which required correction of management deficiencies, a program to improve asset quality, correction of violations of law, and establishment of a conflict of interest policy. The Order also required the bank to establish and follow policies governing participations, out-of-territory lending, extensions of credit to the bank's former president and chief executive officer, lending and loan review. The bank was also required to correct credit data and collateral exceptions, reduce undue concentrations, periodically review and main-

tain the adequacy of the allowance for possible loan losses, maintain capital at an established level, restrict dividends, and review the funds management policy

58. Bank with assets of $25 to $50 million

The bank was operating under a Temporary Order to Cease and Desist because of suspected fraudulent activities by the bank's former president. Those activities had triggered severe capital, liquidity, and credit quality problems. Subsequent examination of the bank disclosed insider abuses, imprudent management practices, inadequate policies and procedures in nearly all areas of operations, persistent violations of law and apparently fraudulent loan activities.

An Order to Cease and Desist was issued which required correction of management deficiencies, improvement of asset quality, restriction of dividends, correction of violations of law, and adoption of and adherence to policies on extensions of credit to the bank's former president. The Order further required the adoption and implementation of policies governing conflicts of interest, out-of-territory lending, and participations. New or improved policies and procedures were required to be adopted and implemented for collections, loan review, overdrafts and nonaccrual loans, concentrations, and funds management. The bank was required to periodically review and maintain at an adequate level the allowance for possible loan losses and to adopt policies and procedures governing earnings, internal controls, and audit.

59. Bank with assets of $50 to $100 million

The examination disclosed serious deterioration in asset quality, violations of law, a marginal allowance for possible loan losses, and the need for improved loan administration. The remuneration of the chairman and vice chairman of the board was also a concern. The bank's capital needed to be maintained at an acceptable level. Several violations of law were noted.

A Memorandum of Understanding required the bank to (1) conduct a study of the ability and sufficiency of current management, (2) revise the lending policy and loan review function, (3) obtain current satisfactory credit and collateral information, (4) develop a written program to remove the basis of criticism of assets, (5) review the adequacy of the allowance for possible loan losses, (6) maintain primary capital at or above an established level, (7) correct violations of law, and (8) evaluate the remuneration paid to the bank's chairman and vice chairman.

60. Bank with assets of $50 to $100 million

The examination report that criticized assets had [illegible] administration and poor loan documentation. The bank had a history of 12 USC 84 violations and two were detailed in the examination along with violations of 12 USC 375b and 12 CFR 215. The bank's earnings were poor and capital was inadequate.

An Agreement required the bank to: (1) correct violations of law, (2) review and expand the written loan policy, (3) improve loan administration, (4) strengthen or eliminate the grounds for criticism of assets, (5) obtain current and satisfactory credit information, (6) establish a program to maintain an adequate allowance for possible loan losses, (7) revise the bank's funds management policy, (8) develop a 3-year financial plan, (9) restrict dividend payout, and (10) implement a consumer compliance program.

61. Bank with assets of $25 to $50 million

A recent examination revealed a sharp increase in classified assets, brought about by ineffective supervision by the board and inadequate administration by management. Classified assets had tripled. The lack of proper supervision had led to large loan losses. Delinquencies, nonaccrual loans, and credit file exceptions were at high, unacceptable levels. Poor lending practices included capitalizing interest on renewals, overdrafts to keep loans current, loans made to cover overdrafts and resultant service charges, no repayment plans, poor credit file maintenance, and few collateral valuations. Senior management's attempts to generate income to meet the substantial debt service requirements of the parent holding company was a primary cause of the bank's problems. Numerous violations of law were cited. Internal audit was criticized because the auditor was also performing operational duties.

An Agreement required the bank to correct the violations of 12 USC 84 and adopt procedures to prevent recurrence, correct all other violations of law and adopt procedures to prevent their recurrence, and review and revise the written lending policy. The bank agreed to adopt and implement a written policy concerning the extension of overdrafts, reverse and charge-off of all accrued interest not in conformance with the call report instructions, develop formal procedures to identify and account for nonaccrual loans, and develop and implement a written policy providing for the audit of accrued interest on loans. Further, the bank was called on to establish a loan review system, take formal action to protect the bank's interest with regard to criticized assets, restrict lending to criticized borrowers unless in the bank's best interest, obtain and analyze credit information on all loans cited as lacking such in the report of examination, and restrict

lending unless credit information is obtained and analyzed. Finally, the bank agrees to review the adequacy of the allowance for possible loan losses at least once each calendar quarter, develop a profit plan designed to improve and sustain earnings, declare or pay no dividends except in conformity with 12 USC 56 and 60 and with 30 days prior written notification, and strengthen the internal audit function.

62. Bank with assets of $25 to $50 million

The examination disclosed that the bank was in extremely poor condition. Problems in the bank included poor asset quality, inadequate capital, poor earnings, low liquidity and inept management. Numerous violations of 12 USC 84 existed. Problems noted were directly attributable to ineffective supervision by the board and poor lending practices. Significant loan losses had depleted the allowance for possible loan losses which rendered primary capital inadequate and placed the bank in a negative earnings position.

An Order to Cease and Desist required the bank to: (1) develop a program to remove the basis of criticism of assets, (2) review and revise the bank's written lending policy, (3) develop policies concerning placement of loans on nonaccrual status, (4) maintain the allowance for possible loan losses at an adequate level, (5) adopt a funds management and investment policy to maintain sufficient liquidity, (6) maintain capital at least equal to an established percentage of total assets, (7) develop a profit plan to improve earnings, (8) employ counsel to review directors' liability on violations at 12 USC 84, (19) correct violations of law, (10) conduct a review of ability and sufficiency of management, and (11) develop a written internal audit program to correct deficiencies noted in the examination.

63. Bank with assets of $50 to $100 million

An examination of the bank revealed a sharp decrease in asset quality attributed to inadequate supervison and liberal lending practices. Credit and collateral exceptions were excessive and the allowance for possible loan losses was inadequate. Policies were inadequate in the loan and funds management areas.

An Agreement required the bank to reduce criticized assets, obtain current and satisfactory credit and collateral information, revise lending policies, maintain the adequacy of the allowance for possible loan losses, develop capital and strategic plans, formulate written funds management policy, strengthen audit activities, and review compensation paid to officers and directors of the bank.

64. Bank with assets of less than $25 million

A recent examination revealed significant deterioration in the condition of the bank. Asset quality problems had increased significantly and the level of past due loans was unacceptable. Credit documentation was deficient, and inadequate attention to several basic considerations of sound lending was evident. Loan losses and poor earnings had brought capital to an unacceptable level. Several violations of law were cited including a number of violations which relate to insider activity.

An Agreement required the bank to: (1) correct violations of law, and implement procedures to prevent recurrence of violations; (2) undertake a study to identify the extent of extensions in violation of 12 USC 375a and 375b and 12 CFR 215, and ensure reimbursement to the bank for losses caused by those violations; (3) conduct a management study and develop a staffing plan based upon the study; (4) implement a written program designed to eliminate the basis for each criticized asset, (5) review and revise the lending policy; (6) establish a loan review system; (7) review the adequacy of the allowance for possible loan losses and establish a program to maintain an adequate allowance for possible loan losses; (8) improve collection efforts; (9) obtain satisfactory credit documentation on all present and future extensions of credit; (10) achieve and maintain an adequate capital level; (11) develop and implement a long-range capital program; (12) abide by dividend restrictions; (13) develop a plan to improve and sustain earnings and to monitor the accomplishment of those objectives; (14) develop a written funds management policy; (15) revise its management information system, (16) correct internal control deficiencies, (17) develop and implement a written plan to ensure adequate controls and policies governing the electronic data processing area, and (18) develop and implement a consumer compliance program.

65. Bank with assets of more than $1 billion

Examination revealed deterioration in asset quality, lack of documentation in the allowance for possible loan losses, poor earnings, management problems, and inadequate management information and cost accounting systems. The bank was burdened with a large volume of nonaccrual loans.

A Memorandum of Understanding required the bank to (1) appoint a compliance committee, (2) conduct a study of bank management structure and eliminate management deficiencies, (3) adopt and implement a program to eliminate criticism of assets and cease extending credit to any borrower whose loans are criticized, (4) improve and strengthen collection ef-

[illegible] credit information and collateral documentation and grant no further extensions of credit without such information, (6) review and maintain an adequate allowance for possible loan losses, (7) conduct a study of bank management information systems and cost accounting programs and eliminate deficiencies therein, and (8) establish a policy setting restriction on the use of brokered funds

66 Bank with assets of $50 to $100 million

An examination disclosed significant deterioration in asset quality, management deficiencies, a lack of adequate credit information or collateral documentation on many loans, inadequate collection results, and a failure to monitor periodically its allowance for possible loan losses. The bank also needed a revised internal loan review system, loan participations guidelines, a conflict of interest policy, a management study and a capital program.

67. Bank with assets of $25 to $50 million

A recent examination disclosed significant deterioration in the bank's condition. Classified assets were excessive and heavy loan loss provisions had had a negative impact on earnings. The bank's problems were attributed to ineffective supervision, liberal lending practices, and weak credit administration procedures

An Agreement was executed that required the bank to. (1) perform an analysis of management needs and remedy any deficiencies, (2) develop and adopt a comprehensive loan policy, (3) develop a program to remove each criticized asset from that status, (4) establish an effective internal problem loan identification system, (5) institute an acceptable system to ensure that past-due loans are maintained at a reasonable level, (6) perform quarterly reviews of the adequacy of the allowance for possible loan losses and make any necessary adjustments, (7) develop a 3-year business plan, (8) establish effective funds management policies and procedures, (9) correct all internal control deficiencies, and (10) institute a reporting system that will keep the board of directors adequately informed

68 Bank with assets of more than $1 billion

Examination disclosed significant asset deterioration centered in the loan portfolio, an inadequate allowance for possible loan losses, and an inadequate internal loan review system.

An Agreement required the establishment of an adequate internal loan review system, development of an acceptable [illegible] policy, maintenance of an adequate allowance for possible loan losses, development of a written program to improve criticized assets, establishment of an acceptable commercial real estate loan policy, development of 3-year strategic and capital plans

69. Bank with assets of $500 million to $1 billion

An examination revealed significant deterioration in asset quality. Criticized asset levels were excessive. A reluctance to recognize loan losses was identified and credit and collateral exceptions were excessive. Delinquent and nonaccrual loans were excessive, the allowance for possible loan losses was inadequate, legal lending limit violations were noted, and earnings had been adversely impacted by loan losses and nonearning assets.

An Agreement required the bank to conduct a written management study, develop a written program to correct criticized assets, correct credit and collateral deficiencies and improve collection procedures. The bank agreed to develop an independent loan review system, maintain an adequate allowance for possible loan losses, develop procedures to prevent future violations of 12 USC 84, correct municipal securities deficiencies, develop a strategic plan, and develop a profit plan

70. Bank with assets of $500 million to $1 billion

Problem areas noted in the examination were asset quality, violations of 12 USC 29, and liquidity. Classified assets were high and the bank's loan review function was ineffective.

A Memorandum of Understanding required the board to correct all violations of law, eliminate the basis of criticism in classified assets, obtain current and satisfactory credit and collateral documentation, review and revise the bank's lending and review function, maintain the allowance for possible loan losses at an adequate level, maintain adequate sources of funding, develop investment and funds management policies, implement a 3-year strategic plan, and improve internal audit and controls

71. Bank with assets of more than $1 billion

Examination of the bank revealed excessive criticized assets, an inadequate allowance for possible loan losses, excessive delinquent loans, inadequate documentation and follow-up on problem credits, and no timely identification of developing problem credits

A Memorandum of Understanding required quarterly progress reports, a written program for criticized assets, nonaccrual and charge-off policy, strengthened

internal loan review, adequate allowance for possible loan losses, and a 3-year strategic plan

72. Bank with assets of $500 million to $1 billion

An examination revealed that the bank's problems were centered in the loan portfolio. Asset quality had deteriorated significantly as a result of weak loan administration.

A Memorandum of Understanding executed with the board of directors required the bank to develop a written program to eliminate the basis of criticism of assets criticized, obtain current and satisfactory credit information, and assess and strengthen staffing needs.

73. Bank with assets of less than $25 million

An examination revealed that the bank's adverse condition was attributable to management and the board of directors. In the lending area, classified assets were excessive because of compromise of credit principles, including insiders. Several unacceptable loans had increased the loan to deposit ratio to a hazardous level. The bank's involvement with two non-bank affiliates caused violations of law and conflicts of interest. The bank's funds were used to meet the funding requirements of the affiliates which caused liquidity to range from marginal to inadequate. Funds purchased to meet the bank's cash letter and loan commitments exceeded available funds. No rate-sensitivity analysis was performed and policy and reporting system were inadequate. The president spent little time at the bank because of his involvement with the affiliates. No asset quality review or internal audit existed.

An Agreement required the bank to: (1) appoint a compliance committee, (2) evaluate transactions with affiliates, (3) conduct a management study, (4) appoint a full-time chief executive officer, (5) pay insider-related expenses only in conformity with banking circular 115, (6) reduce the loan to deposit ratio and revise the loan policy, (7) revise the funds management policy, (3) monitor liquidity, (9) refrain from accepting brokered funds, and (10) develop a program for criticized assets and cease making loans to borrowers whose assets are criticized. The bank was further required to develop guidelines for out-of-territory loans, correct all credit and collateral deficiencies, implement an internal loan review system, review and maintain an adequate, allowance for possible loan losses, correct all violations of law, prepare a 3-year business plan, develop an audit program and implement a consumer compliance program

74. Bank with assets of $25 to $50 million

A recent examination revealed that increased loan losses and nonearning assets had resulted in poor earnings over the past 3 years. Although additional capital had been raised the bank s capital was inadequate. The bank had invested heavily in long term fixed-rate real estate mortgages and tax exempt bonds between 1979 and 1980 Rising funding costs then began to place severe pressure on net interest margins. In addition, loan losses increased primarily as a result of the board s failure to recognize and take action on problem loans in a timely manner The bank had previously entered into a Memorandum of Understanding but its inadequate capital position and persistently high criticized assets with a notable lapse in compliance with consumer law, required further action

An Agreement required the bank to (1) achieve and maintain a predetermined level of primary capital by December 31, 1984, (2) develop a formal written capital plan, including budget for 1984. (3) make dividend payments only in compliance with 12 USC 56 and 60 and with 30 days' prior written notification of the Deputy Comptroller; take action to protect the bank's interest with regard to criticized assets, (5) revise the bank's collection policy; (6) adopt and implement procedures for assessing the adequacy of the allowance for possible loan losses and procedures to restrict the capitalization of accrued interest on loans; (7) restrict further extensions of credit to criticized borrowers unless approved and certified in advance by the board; (8) develop a program to strengthen the bank's internal audit function, (9) correct violations of law cited in the recent examination report; and (10) implement a consumer compliance program

75. Bank with assets of less than $25 million

An examination revealed deterioration in the overall condition of the bank, especially in the loan portfolio The deterioration was reflected primarily in the large volume of classified and past-due assets and credit exceptions The decline in loan quality was primarily the result of ineffective supervision and failure to obtain current financial information Earnings were poor because of heavy loan losses, and capital was considered marginal The allowance for possible loan losses was considered inadequate Several violations of law were also noted

An Agreement required the bank to (1) correct all violations of law, rule, and regulation and adopt procedures to prevent their recurrence (2) eliminate the grounds for criticism of any asset in excess of $20.000 and make no further loans to criticized bor-

owers, (3) develop a program to improve collections and reduce delinquent loans, (4) obtain and maintain current and satisfactory credit information and collateral documentation, and make no loans without such documentation, (5) revise its written lending policy, (6) review the sufficiency and competency of the present managerial staff, (7) conduct quarterly reviews of the adequacy of the bank's allowance for possible loan losses, (8) maintain an adequate capital position and prepare a written capital plan to do so, (9) formulate written policies and procedures applicable to the investment portfolio, (10) formulate a written liquidity, asset and liability management policy, and (11) submit quarterly progress reports on their compliance efforts.

76. Bank with assets of less than $25 million

Examination of the bank revealed significant asset quality deterioration, inadequate capital, and abusive practices by bank insiders. The decline in loan quality was the result of inadequate management and board supervision. The bank was also in a precarious funding position and, therefore, was threatened with a liquidity crisis.

A Temporary Order to Cease and Desist required the board to take all action necessary to ensure that the existing and anticipated demands of creditors and depositors could be met, employ a new, full-time, capable president, employ a new full-time, capable cashier, achieve and maintain adequate capital, monitor and report on brokered funds; cease extending credit without current credit information and documentation, and cease violating laws, rules, or regulations, correct past violations, and adopt procedures to prevent recurrence.

77. Bank with assets of $100 to $250 million

The latest examination of the bank disclosed increased criticized assets, poor earnings, unacceptable allowance for possible loan losses practices, and diminishing capital.

A Memorandum of Understanding addressed asset quality, the allowance for possible loan losses, nonaccrual loans, credit data exceptions, business planning, capital, dividends, violations of law, and brokered funds.

78. Bank with assets of less than $25 million

An examination revealed numerous violations of law, excessive classified assets, and inadequate lending policies and procedures. Credit information and collateral documentation deficiencies were extremely high. An adequate allowance for possible loan losses had not been provided. The bank lacked adequate management and was operating without effective internal audit.

An Order to Cease and Desist required retention of an independent certified public accountant to conduct an expanded scope, full-opinion audit of the bank. A management plan and appointment of a new chief executive officer were required. An investigation of violations of 12 USC 84 by special counsel and immediate action to correct violations of law were also required. Additionally, the Order called for measures to correct deficiencies in the bank's lending procedures and policies and programs to strengthen criticized assets. Maintenance of an adequate allowance for possible loan losses was also required.

79. Bank with assets of less than $25 million

An examination revealed that criticized assets had become excessive because of the bank's rapid growth and its lack of attention to loan administration. The bank's lack of adherence to lending policies and credit and collateral documentation deficiencies contributed to the bank's high percentage of criticized assets. Further, the bank's involvement with affiliates had produced violations of law and conflicts of interest. The examination also revealed that liquidity was marginal and that the chief executive officer only spent minimal time in the bank.

An Agreement required the board of directors to establish a compliance committee to monitor and coordinate the bank's adherence with the Agreement. The compliance committee was to complete a study of the bank's management, management structure, and staffing requirements, and the board of directors was to adopt a written program to remedy the deficiencies in the bank's management as noted in the study. The bank was not to extend credit in any form to an affiliate unless the board of directors determined it was advantageous for the bank and lawful. The board was required to appoint a full-time, capable chief executive officer, and to pay salaries and expenses only in conformance with banking circular 115. The bank was to bring loan to deposit ratio into conformance with written loan policy guidelines. The board was to revise the bank's written fund management policy and to monitor and assess the bank's liquidity. The bank was prohibited from accepting any brokered funds. The board was to act to protect the bank's criticized assets by adopting a program to strengthen criticized assets. The bank was to adopt and implement guidelines concerning out-of-territory loans. The board was to obtain current and satisfactory credit information for loans lacking such information and to correct all collateral deficiencies. The board was required to

establish a loan review system to identify and categorize problem credits. The bank was also to review the adequacy of the bank's allowance for possible loan losses. All violations of law were to be corrected and procedures to prevent their recurrence were to be adopted by the board. The board was also to develop a 3-year business plan, as well as an internal audit program and a consumer compliance program.

80. Bank with assets of $25 to $50 million

An examination disclosed that failure to establish clear lines of authority and responsibility had resulted in ineffective management. The bank had asset quality problems. The parent holding company had required large dividends from the bank for debt service, thereby weakening capital. The allowance for possible loan losses was not being kept adequate, and the bank's loan policy was out of date. There was no internal audit program.

An Agreement was executed which required the bank to develop a conflict of interest policy, develop a program to eliminate criticized assets, establish sound procedures for loan participations, revise its lending policy, review the allowance for possible loan losses quarterly, perform a management study, develop a strategic plan, develop an 1984 budget, develop a 3-year capital plan, restrict dividends, develop an internal audit program, and report brokered funds.

81. Bank with assets of less than $25 million

A recent examination disclosed a sharp increase in classified assets, ineffective supervision by the board of directors, inadequate administration by management, and lax lending practices. Classified assets had more than doubled. Credit file exceptions were high and problem loan identification was not performed in a routine and formal fashion. The lending policy was inadequate, and staffing deficiencies were suspected. Laxness involving renewals had jeopardized collateral positions and, in some instances, lost, which led to a potential for increased loan losses.

An Agreement required the bank to correct all violations of law and adopt procedures to prevent their recurrence, restrict payments to affiliates in conformance with 12 USC 371c and banking circular 115, conduct a study of current management and board supervision, develop and implement a comprehensive written loan policy, establish a loan review system, take formal action to protect the bank's interest with regard to criticized assets, and restrict lending to criticized borrowers unless the board certifies it is in the bank's best interest. The bank agreed to obtain and analyze credit information on all loans cited as lacking such in the report of examination and restrict lending unless credit information is obtained and analyzed and collateral is perfected where applicable. The bank was also to reverse and charge off all accrued interest not in conformance with call report instructions and to develop formal procedures to identify and account for nonaccrual loans. Finally, the bank was required to implement a written program designed to improve and strengthen collection efforts and to review the adequacy of the allowance for possible loan losses at least once each calendar quarter.

82. Bank with assets of $100 to $250 million

An examination of the bank disclosed many violations of law, deterioration in asset quality, inadequate management, and deficiencies in asset/liability management, loan portfolio management, and investment portfolio management.

An Order to Cease and Desist, stipulated to by the bank's board of directors, addressed the areas of concern. The Order required the board to select a new chief executive officer, retain a special counsel to review apparent violations of 12 USC 84, review stock transactions involving insiders to determine whether to pursue any possible claims under 15 USC 78p(b), review all call reports submitted during the past year and refile as appropriate, and correct all violations of law. The board was to develop or revise and implement policies and procedures concerning conflicts of interest, the allowance for possible loan losses, loan portfolio management, nonaccrual loans, asset liability management, investments, and securities trading. In addition, the board was required to develop a program to protect the bank's interest in its poor quality assets, refine the bank's internal loan review system, correct credit data exceptions, develop a capital program and dividend policy, adopt a business plan, expand the use of the bank's funds management committee, and refine the bank's internal audit system.

83. Bank with assets of $50 to $100 million

The bank was operating under an Order to Cease and Desist which addressed, *inter alia*, violations of 12 USC 84 involving the former controlling owner of the bank. Examination of the bank revealed drawings against uncollected funds by the former controlling owner which, when aggregated with outstanding loan balances, exceeded the bank's legal lending limit. In violation of the outstanding Order, the bank had neglected to obtain current and satisfactory credit information for that customer, the board of directors had not directed management to implement policies and procedures for overdrafts and cash items by that

customer, and the board of directors had not reviewed transactions with that customer.

An Amended Order to Cease and Desist was stipulated to by the bank. The amendment required the bank to stop engaging in transactions with the former controlling owner and prohibited the bank from permitting drawings on uncollected funds.

84. Bank with assets of less than $25 million

An examination of the bank indicated a significant deterioration in its condition. The bank had numerous and substantial violations of 12 USC 84, some of which were made to bank insiders. The documentation on the loans made in violation of 12 USC 84 was very poor. It appeared that the bank president was primarily responsible for the inadequate documentation and the illegal advances of funds over the bank's legal lending limit. The bank had also purchased a large amount of brokered funds. Finally, capital was considered inadequate.

A Temporary Order to Cease and Desist, effective upon service, required the bank to achieve and maintain adequate capital, to correct the violations of 12 USC 84 and improve the documentation of loans made in violation of that statute. Further, the board of directors was required to appoint a new or interim chief executive officer. The bank was to cease purchasing any brokered funds, and was required to make further extensions of credit to bank insiders.

A Notice of Intent to Remove from Office and a Notice of Suspension were also served on the bank's president. The Notice of Suspension was effective upon service. It suspended the president from holding any and all offices in the bank, from serving or acting as a director, officer, or employee of any bank; and from participating in the conduct of the affairs of the bank pending the scheduled administrative hearing on the charges contained in the Notice of Intent to Remove from Office.

85. Bank with assets of $10 to $25 million

A recent examination revealed that inadequate supervision and administration by directors and management, poor lending practices, nonexistent policies, no forward planning, and poor internal controls had resulted in high classified assets, numerous credit and collateral exceptions, an inadequate allowance for possible loan losses, and poor earnings. Several violations, including repeat violations involving other [illegible], were cited. Funds management practices were poor, contributing to the low level of liquidity. [illegible] the bank did not have blanket [illegible]

An Agreement required the board to review staffing needs, improve or adopt policies, procedures and internal controls, reduce classified assets, and correct credit and collateral deficiencies and violations of law. Monthly progress reports on actions taken to correct those areas were also required.

86. Bank with assets of $25 to $50 million

A recent examination revealed that the bank was in unsatisfactory condition. Classified assets had increased. The allowance for possible loan losses was found to be inadequate and required a provision during the examination. Delinquencies were high. Primary capital was down. The bank's poor condition stemmed from inadequate supervision by the board and management. Federal funds purchased were being used to meet liquidity needs. The bank failed to market the securities in its trading portfolio. Noncompliance with an outstanding Agreement was noted in 10 of 15 articles.

An Order to Cease and Desist required the bank to: (1) correct violations of law, (2) take action to effect reimbursement for violations of 12 USC 375b, (3) implement a program to address criticized assets and cease extending credit to borrowers whose loans are criticized, (4) establish an internal loan review, (5) obtain current and satisfactory credit information and collateral documentation, (6) improve collection efforts, (7) review and maintain an adequate allowance for possible loan losses, (8) review and revise the lending policy, (9) expand board membership, (10) complete a management study, (11) maintain primary capital of at least 7 percent of total assets and adopt and implement a capital plan, (12) restrict payment of dividends, (13) prepare a 3-year business plan, (14) review and revise its funds management policy, (15) review liquidity on a monthly basis, (16) review and revise its investment policy, (17) ensure that securities trading does not take place within its investment portfolio, and (18) implement an internal audit program.

87. Bank with assets of $50 to $100 million

A recent examination revealed significant deterioration in asset quality because of poor credit judgment and inadequate supervision of the loan portfolio by the directors. In addition, the board did not properly plan for rapid asset growth by providing sufficient personnel and satisfactory written policies. Loan losses had resulted in an inadequate allowance for possible loan losses. Earnings were disrupted by large provisions to bring the allowance to an adequate level, and capital was rendered inadequate.

A Memorandum of Understanding required the bank to: implement a program to improve criticized assets, arrange for a management study which addresses quality and size of staff, maintain a minimum primary capital ratio, adopt and implement adequate written policies on the loan review system and funds management, and maintain an adequate allowance for possible loan losses. The bank was also required to institute a consumer compliance program.

88. Bank with assets of less than $25 million

An examination revealed that inadequate supervision by the bank's board of directors and management had resulted in serious deterioration in the bank's condition. Large loan loss provisions and a declining interest margin had resulted in poor earnings. Capital was considered inadequate. The lending policy was inadequate and the bank lacked an internal loan review system. The allowance for possible loan losses needed to be reviewed periodically and to be maintained at an adequate level. The bank was in need of an external audit.

An Agreement required the bank to evaluate management, develop a program to eliminate criticized assets, revise the lending policy, establish an internal loan review system, strengthen collection efforts, obtain satisfactory credit information, review the allowance for possible loan losses quarterly, keep primary capital at an adequate level and develop a capital plan, develop a funds management policy, conduct an adequate external audit, and report any brokered funds.

89. Bank with assets of more than $1 billion

An examination revealed excessive classified assets, criticized insider loans, an insufficient allowance for possible loan losses, a low level of primary capital, brokered funds, and understated losses.

An Agreement required: (1) an independent consultant to conduct a management and staffing study; (2) elimination of the basis for criticized assets; (3) establishment of an internal loan review program, a written policy concerning insider credit, and a program to provide for an adequate allowance for possible loan losses; (4) supervision of nonaccrual loans; (5) refiling and republishing call reports; (6) maintenance of primary capital at an established level; and (7) development of a brokered funds policy. The agreement also put limits on the payment of dividends.

90. Bank with assets of more than $1 billion

The examination revealed problems with the internal loan review system, failure to charge-off loans in a timely manner, losses of key management personnel, an insufficient allowance for possible loan losses, high classified assets, and violations of law in the securities dealer department.

A Formal Agreement required an independent consultant to conduct a management and staffing study, a criticized asset program, establishment of an adequate improvement of collection efforts, an independent loan review system, maintenance of an adequate primary capital to total assets ratio, refiling and republishing of call reports, correction of the securities law violations and increased supervision of the dealer department, and a brokered funds policy.

91. Bank with assets of $50 to $100 million

An earlier Order to Cease and Desist issued against this bank addressed insider abuses and other problems. The bank's condition had become satisfactory and the Order was essentially complied with. However, concern remained for possible insider abuses.

An Agreement was entered into addressing the potential insider abuse and the Order to Cease and Desist was terminated.

92. Bank with assets of less than $25 million

An examination of the bank disclosed violations of law, deterioration in asset quality, inadequate management and capital, and deficiencies in funds management, loan portfolio management, internal auditing, and supervision of correspondent bank accounts.

An Order to Cease and Desist, stipulated to by the bank's board of directors, addressed the areas of concern. The Order required the board to: (1) authorize a management study; (2) develop a program to reduce criticized assets; (3) improve loan collection, nonaccrual, and internal loan review policies and procedures; (4) obtain satisfactory credit and collateral documentation; (5) improve the allowance for possible loan losses and funds management policies and procedures; (6) develop business and capital plans, (7) correct violations of law; (8) analyze correspondent banking relationships; (9) refine the internal audit program; and (10) correct internal control deficiencies.

93. Bank with assets of $25 to $50 million

A recent examination disclosed continued deterioration of the loan portfolio and ineffective loan supervision. Delinquencies had doubled, while nonaccruals and losses had increased significantly since the last examination. The losses, coupled with necessary reserve provisions and good growth, had resulted in erosion of the capital base. The organizational struc

[illegible] needed [illegible] to improve effectiveness and [illegible] involvement [illegible] of senior management

An Agreement required the bank to correct each violation of law, develop a written program to remove each asset from criticized status, develop a written program to strengthen collection efforts, correct all credit information deficiencies, develop a 3-year capital program designed to maintain primary capital at 7 percent of assets, prepare a management structure and staffing requirements study, and develop written guidelines to monitor and report the use of brokered funds.

94. Bank with assets of less than $25 million

An examination revealed that an individual who was a director, officer, and shareholder of two national banks had illegally obtained control of one of them and was diverting funds for personal use. The transactions threatened the solvency of one of the banks. The activities also involved violations of the lending limit restrictions of 12 USC 84 and the use of brokered funds. A Notice of Intent to Remove was served charging violations of law, unsafe and unsound banking practices, and a breach of fiduciary duties, among other things.

An Agreement required one individual to refrain from serving as a director, officer, or employee, or otherwise participate in the affairs of the bank until all charges in the Notice were resolved. This had the effect of suspending the individual from involvement in banking.

95. Bank with assets of less than $25 million

An examination revealed that an individual was involved in the unlawful takeover of a national bank. The bank's funds had been diverted for personal use and the solvency of the bank was threatened.

A Notice of Intent to Remove was served on the individual who was a director. The Notice essentially alleged that the individual had violated 12 USC 1817 (j), engaged in unsafe and unsound banking practices and breached his fiduciary duties. The Notice further alleged that as a result of this individual's participation in the affairs of the bank, the bank suffered or will probably suffer substantial financial loss or other damage, and that the interests of the bank's depositors could be seriously prejudiced. The Notice finally alleged that the individual's involvement in the transactions at the bank involved personal dishonesty and a willful or continuing disregard for the safety or soundness of the bank.

An Agreement required that the individual not serve as a director, officer, or employee, or participate in any manner in the conduct of the affairs of any federally insured financial institutions for 15 years. Thereafter, the individual must apply to the appropriate federal banking agency for permission before participating in the affairs of a federally insured financial institution.

96. Bank with assets of $25 to $50 million

An examination revealed that an overly ambitious growth program had resulted in a rapid and unsafe increase in classified assets. Earnings were poor because of high overhead expenses, excessive growth, and increased non-earning assets. Past-due commercial loans were high. The bank was heavily reliant on brokered deposits as a primary source of liquidity. Significant management changes made by the bank prior to the action failed to help.

A Memorandum of Understanding required a compliance committee to monitor compliance with the terms of the Memorandum. The bank was required to adopt and implement a written program to eliminate the grounds of criticism for all assets criticized. Quarterly progress reports on the status of criticized assets were to be submitted to the District Office. The bank agreed to refrain from extending additional credit to borrowers whose loans had been criticized unless failure to do so would be substantially detrimental to the bank and with prior approval of a majority of the Board. A loan review system was to be established and the bank's written lending policies and procedures were to be revised. The bank agreed to notify the District Office when its brokered funds exceeded 5 percent of total deposits.

97. Bank with assets of $25 to $50 million

An examination revealed that various deficiencies in the bank's operations had adversely affected the loan portfolio. Classified assets had become excessive and the level of overdue and nonaccrual loans continued to be of concern. The bulk of those assets were in the commercial loan portfolio. A substantial amount of the bank's portfolio lacked current and complete financial information. The allowance for possible loan losses was inadequate and earnings were poor. Budgets were not utilized by the bank to aid in planning nor were formal written funds management policies and procedures available to assist in setting goals and objectives. One violation of law was found to exist.

An Agreement required that the bank adopt and implement a written program designed to collect, strengthen, or otherwise eliminate the grounds of criticism for all assets criticized. The program was to include a monthly review of each criticized asset and assessment of adherence to the program and its effectiveness. Monthly progress reports on the status

of criticized assets were to be submitted to the District Office. No criticized loans were to be extended unless failure to do so would be substantially detrimental to the best interests of the bank and with prior approval of a majority of the Board. The bank agreed to review and revise the written lending policy and its investment policy. It further agreed to take all steps necessary to obtain current and satisfactory credit information and to correct each collateral exception. The bank agreed that it would not grant credit without obtaining and analyzing current and satisfactory credit information and properly perfecting collateral, where applicable. The bank agreed to implement a written collection program, written policies and procedures governing nonaccrual loans, and written management's effectiveness and capabilites was to be conducted. The adequacy of the bank's allowance for possible loan losses was to be reviewed and a program established for the maintenance of an adequate allowance. The bank agreed to prepare a 3-year business plan in conjunction with a profit plan designed to improve and sustain the earnings of the bank, and to develop and implement a program to improve and strengthen internal audit.

98. Bank with assets of $500 million to $1 billion

The bank had initiated an ambitious growth program through acquisition of several branches. An examination revealed deterioration in the loan portfolio and lower earnings. Higher risk commercial loans, made in an effort to meet high profit goals, outstripped management's ability to properly supervise the portfolio and delinquencies, as well as non-performing loans, increased. Pressure to perform caused a deterioration in employee morale and heavy turnover aggravated supervisory problems. The analysis and amount of the allowance for possible loan losses was inadequate. The rapid loan growth had resulted in breakdowns in reporting and adherence to policy. The internal credit review department was unable to keep pace with the increasing volume of problem loans. The capital structure of the bank was cause for concern primarily because of the high level of classified assets. Several violations of law in both the commercial and consumer reports of examinations were noted including violations of 12 USC 371c and 371d.

A Memorandum of Understanding required the bank to set up a committee to monitor compliance with the terms of the Memorandum. The bank further agreed to adopt and implement a written program designed to collect, strengthen, or otherwise eliminate the grounds of criticism for all assets criticized. The program was to include a monthly review of each criticized asset. Quarterly progress reports on the status of criticized assets were to be submitted to the District Office. The bank agreed it would extend additional credit to borrowers whose loans had been criticized unless failure to do so would be substantially detrimental to the bank and with prior approval of a majority of the board. A loan review system was to be established. The adequacy of the bank's allowance for possible loan losses was to be revieweo and a program established to maintain an adequate allowance. A 3-year capital plan which provided for the achievement and maintenance of an established level of capital was to be developed. The bank agreed it would not declare or pay dividends unless in compliance with law, in the best interests of the bank, and after 30 days written notice to the District Office. The bank agreed it would not grant, purchase, assume, or acquire loans unless consistent with the terms of banking circular 181. When the bank's brokered funds exceed 5 percent of total deposits, the District Office was to be notified and the fact reported each month until they fell below the 5 percent level. The bank agreed to take necessary steps to correct all violations of law and implement procedures to ensure that violations do not recur. The board agreed to implement a program to improve and strengthen the bank's internal audit function.

99. Bank with assets of less than $25 million

A recent examination revealed a deterioration in asset quality, significant loan losses, high classified assets, poor earnings, and a deteriorating capital base. A weak management term and poor supervision by the board had contributed to the problems.

An Agreement was entered into which addressed the deterioration in the bank's condition. The bank was required to correct violations of law and the directors were required to make restitution for personal liability for violations of 12 USC 84. The bank agreed to adopt written procedures to eliminate criticized assets, grant no new credit to any criticized borrower unless failure to do so would be detrimental to the bank, and review the allowance for possible loan losses quarterly. Finally, the Agreement required the bank to control delinquent loans, study the capability and sufficiency of current management staff, develop a profit plan with budgets, increase primary capital, and report quarterly to the Comptroller on compliance with the document.

100. Bank with assets of $50 to $100 million

A recent examination revealed continuing inadequate supervision by management and the board of directors, poor lending practices, a weak lending staff, rising criticized assets, loan delinquencies, increased non-earning assets, heavy loan losses, and depressed earnings.

A Memorandum of Understanding required correction of violations of law and institution of preventive procedures, adoption of written programs to eliminate criticized assets, prohibition of new credit to any criticized borrower unless failure to do so would be detrimental to bank, revision of the loan policy and control of delinquent loans. The bank agreed to review the allowance for possible loan losses quarterly, perform a profitability analysis and a study of the capability and sufficiency of the current management staff, and develop a written audit program. Also, the bank was to correct internal control exceptions, maintain primary capital above a fixed percentage of assets at all times, develop a 3-year capital plan, and report quarterly to the Comptroller on compliance with the document.

101. Bank with assets of less than $25 million

A recent examination revealed a high volume of classified assets and an excessive level of credit information deficiencies. Earnings had deteriorated significantly because of loan losses, declining interest margins, and losses taken on securities sales. Numerous violations of law and regulation were cited. Further, the board of directors has been complacent in resolving the bank's problems.

An Agreement required the correction of violations of law and establishment of procedures to prevent recurrence. The bank was required to develop and implement a written consumer compliance program. The board was to develop a written plan to reduce and/or strengthen each criticized asset. The bank's written lending policy was to be reviewed and revised. Credit information and collateral documentation exceptions cited in the report of examination were to be corrected. Procedures to ensure the adequacy of the allowance for possible loan losses were to be adopted. The board was to adopt a funds management policy, review and revise the investment policy, adopt restrictions on the use of brokered funds, and direct management to undertake a review and analysis of the bank's earnings capacity. Based on that review, a written profit program and budget were to be prepared. The bank was to maintain primary capital at or above a given level and a restriction was placed on payment of dividends.

102. Bank with assets of $50 to $100 million

Significant asset deterioration, poor earnings, and a marginal capital position were the major problems disclosed at the last examination. Liberal lending practices resulted in an increase in classified assets. The bank's problem loan identification system and [illegible] improvement. The bank's [illegible] from heavy loan losses and declining interest margins. Management needed improvement.

An Agreement required the bank to study current management, eliminate the basis for criticism of each asset criticized, revise the bank's loan review system, adopt written policies governing the supervision and control of nonaccrual loans, obtain and maintain current and satisfactory credit information on all borrowers, review the adequacy of the allowance for possible loan losses at least quarterly, maintain a primary capital to total assets ratio at or above an established figure, restrict payment of dividends, develop a profit plan, correct all violations of law, report to the Deputy Comptroller on the level of brokered funds, and appoint a Compliance Committee to monitor and ensure adherence to the Agreement.

103. Bank with assets of less than $25 million

A recently completed examination of the bank had revealed significant deterioration in asset quality caused by poor lending practices and misappropriations by a former officer. Lending deficiencies included nonadherence to policies, excessive capitalization of interest, inadequate problem loan and nonaccrual identification, lack of repayment programs, a large volume of out-of-territory loans, and poorly maintained credit files. Earnings were poor as a result of loan losses and decreasing margins. Two uncorrected violations of 12 USC 84 resulted in a Civil Money Penalty referral.

A Formal Agreement required the bank to: (1) appoint a compliance committee, (2) perform a study of management needs, (3) develop plans to reduce criticized assets, (4) establish an effective loan review system, (5) correct cited lending deficiencies, (6) maintain satisfactory credit information on borrowers, (7) establish an acceptable nonaccrual policy, (8) maintain an adequate allowance for possible loan losses, (9) develop a funds management policy, (10) develop profit and capital plans, (11) correct violations of law, (12) strengthen audit programs, and (13) correct internal control deficiencies.

104. Bank with assets of $50 to $100 million

The bank had been operating under an Order to Cease and Desist, primarily due to abusive insider practices. The bank's condition had stabilized at an acceptable level and insider dealings appeared to be under control. However, new concern arose due to a significant increase in mortgage banking/trading activity without proper controls and information systems, a lack of formalized funds management policies and procedures, violations of consumer law, and the lack of a capable senior lending officer. Marking trading

securities to market had resulted in a significant before tax loss.

A Formal Agreement was executed which required the bank to develop policies, procedures, and report systems designed to control risks arising out of mortgage banking and trading activities; develop a written funds management policy, conduct a management study, employ a senior lending officer; adopt a written conflict of interest policy; obtain current and satisfactory credit information; establish an effective loan review system, correct violations of law; provide prior notification of dividend declarations; and implement a written consumer compliance program. The Order to Cease and Desist was terminated.

105. Bank with assets of $25 to $50 million

The examination revealed a lack of clear lines of management authority, poorly defined marketing strategy, and an inability to hire and retain competent lending personnel. Weaknesses in credit administration and loan review were identified. Criticized assets were high. Identified losses had eliminated the bank's allowance for possible loan losses. Delinquencies, financial statement exceptions, and collateral documentation deficiencies were of particular concern. The credit decision-making process had been unsatisfactory, with inadequate credit analyses, poorly structured repayment programs, and insufficient concern with perfecting collateral. The bank exhibited minimal collection efforts on delinquent borrowers. Capital could not support further growth given the bank's asset quality problems. Deficiencies were noted in the trust area. The bank had failed to fully document the basis for information provided in its reports of condition and income. Violations of law were noted.

An Agreement required the bank to set up a committee to monitor compliance with the Agreement and to correct violations of law. The bank agreed to study current management and board supervision and implement a plan to correct any deficiencies noted in the study. The bank agreed to adopt and implement a written program designed to collect, strengthen, or otherwise eliminate the grounds of criticism for all criticized assets. Quarterly progress reports on the status of criticized assets were to be submitted to the District Office. Collection efforts were to be improved and current and satisfactory credit information obtained. Collateral documentation exceptions were to be corrected. The bank agreed to grant no credit without obtaining and analyzing current and satisfactory credit information and properly perfecting collateral, where applicable. An independent loan review system was to be established. The bank was required to review the adequacy of its allowance for possible loan losses and to establish a program for maintenance of its adequacy. A written policy regarding the use of brokered funds was to be established. A 3-year business plan was to be prepared in conjunction with a profit plan designed to improve earnings. Procedures were required for the proper preparation and filing of reports of condition and income as well as to address the deficiencies in trust operations.

106. Bank with assets of $25 to $50 million

An examination revealed that the Bank's asset quality had deteriorated to unacceptable levels. The board of directors' and management supervision were lax. Classified assets, past-due loans, nonaccruals and credit information exceptions were all well above acceptable levels. Several violations of law existed. Periodic reviews of the adequacy of the allowance for possible loan losses were not performed.

An Agreement was executed which required the bank to: (1) correct all violations of law, (2) conduct a study of bank management and eliminate deficiences, (3) take action to strengthen criticized assets, (4) implement a written program to improve collection efforts, (5) obtain and maintain current and satisfactory credit and collateral documentation, (6) comply with established lending policies, (7) review and strengthen the internal loan review function, (8) establish a system to ensure adequacy of the allowance for possible loan losses, and (9) amend the asset and liability policy to include restrictions on the use of brokered deposits.

107. Bank with assets of $25 to $50 million

A recent examination revealed that the bank's rapid loan growth coupled with ineffective management and poor supervision by the board of directors had contributed to excessive asset problems. These problems had translated into large loan losses which had severely affected earnings and capital. Policies were in need of revision and internal controls were poor. Several violations of law were cited.

An Agreement required the Bank to: (1) correct violations of law; (2) analyze the bank's management needs and plan to promptly employ qualified individuals; (3) develop a program to eliminate criticized assets; (4) develop and adopt a written loan policy, (5) establish a loan review system, (6) periodically review the adequacy of the allowance for possible loan losses, (7) obtain current and satisfactory credit information and correct collateral deficiencies, (8) improve and strengthen collection efforts, (9) develop a 3-year capital plan and achieve a required primary capital level by December 31, 1984, (10) develop a written funds management by December 31, 1984, (11) develop a written funds management policy, (12) devel-

(9) a written investment policy, (12) correct internal control deficiencies, and (13) adopt a written conflict of interest policy.

108. Bank with assets of $100 to $250 million

A recent examination disclosed a decline in asset quality resulting from ineffective loan administration policies and practices. Earnings were low, asset/liability management practices were not based on sound policies, and adequate controls had not been established over foreign exchange operations. Management information systems were insufficient. Overall supervision by the board, management, and foreign ownership was in need of improvement.

An Agreement required the bank to: (1) conduct a study of management and staffing needs and eliminate deficiencies, (2) take action to strengthen criticized assets, (3) obtain and maintain current and satisfactory credit and collateral documentation, (4) comply with established lending policies, (5) establish an internal loan review function, (6) establish a system to ensure adequacy of the allowance for possible loan losses, (7) review and revise foreign exchange policies and procedures, (8) correct internal control deficiencies, (9) review and revise written funds management policies, (10) develop a profit plan to improve and sustain a stable source of earnings, and (11) adopt and implement a strategic plan.

109. Bank with assets of less than $25 million

An examination revealed poor supervision by management and the board and poor lending practices. Problems included overlending, failure to obtain and enforce repayment programs, liberal renewal and extension policies, capitalization of interest, failure to maintain proper loan documentation, and inadequate staffing. Documentation exceptions were high as were delinquencies. Preferential loan rates to insiders were noted. Funds management systems and policies were lacking. Net income had declined because of increased nonaccrual loans, reduced loan demand and deposit shift to interest-bearing deposits.

An Agreement required a compliance committee, a criticized asset program, improvement of loan documentation, establishment of a loan review function, a written lending policy, and a program to maintain an adequate allowance for possible loan losses. The bank was also required to revise the funds management policy, adopt a written investment policy, improve internal audit, correct violations of law, restrict management and other fees, [illegible] compliance with banking [illegible]

110. Bank with assets of $100 to $250 million

An examination revealed high classified loans, violations of law, high credit exceptions, inadequate loan review, a need for periodic review of the bank's allowance for possible loan losses, and adoption of formal policies governing various areas of operations. These problems were primarily a result of ineffective management and inadequate policies and procedures.

An Agreement required the bank to: (1) establish a compliance committee, (2) conduct a written review of the bank's management, (3) appoint a senior lending officer, (4) adopt policies and procedures governing insider transactions, (5) comply with the provisions of banking circular 181, (6) take action to reduce criticized assets, (7) obtain and maintain current and satisfactory credit information, (8) establish a loan review system, periodically review the adequacy of the bank's allowance for possible loan losses, (9) adopt policies governing nonaccrual loans, (10) correct violations of 12 USC 84, (11) correct other violations of law, (12) adopt a written funds management policy, (13) reduce the level of brokered funds, (14) maintain a primary capital equal to 7 percent of assets, (15) adopt a written strategic plan, (16) refrain from declaring dividends unless under certain conditions, (17) correct internal deficiencies, (18) adopt a written audit program, (19) adopt a consumer compliance program, and (20) correct certain trust deficiencies.

111. Bank with assets of $50 to $100 million

An examination revealed substantial noncompliance with an Agreement executed several years earlier. Classified assets had increased substantially with continuing management weaknesses.

An Order to Cease and Desist required: achievement of an established level of primary capital, a capital plan, a management study by an outside consultant, correction of violations of law, a written program to eliminate criticized assets, revised policies and procedures governing supervision and control of nonaccrual loans, adherence to internal policies and procedures, establishment of procedures to ensure that all participations are of sound credit quality and conform with bank credit policy, strengthened collection efforts, revised investment and funds management policies, and adequate staffing to ensure compliance with consumer protection and fair lending laws.

112. Bank with assets of $25 to $50 million

An examination revealed a sharp increase in the level of brokered funds together with deployment in long-term assets.

An Amended Order to Cease and Desist required prohibition of new brokered funds; appointment of an officer to be responsible for funds management, reduction of brokered deposits to 5 percent of total deposits by October 1, 1984, contingency plans for the possibility that brokered funds might became unavailable; written policies governing use of brokered deposits; and weekly reports to the Deputy Comptroller.

113. Bank with assets of less than $25 million

An examination disclosed heavy loan losses which had reduced the bank's primary capital to an extremely low level. Management and the directors appeared unable or unwilling to conduct the bank's affairs in a safe and sound manner on a full-time basis. The chief executive officer had resigned.

A Temporary Order to Cease and Desist required the board of directors to provide interim operating management within a short time and a new, full-time chief executive officer within a month. The achievement of minimum primary capital of a set figure within a short time was required, and primary capital was to reach an established level by the end of the quarter

114. Bank with assets of more than $1 billion

An examination revealed substantial classified assets, inadequate capital, a large volume of nonperforming assets and credit losses, and a need for a review of management. The allowance for possible loan losses needed to be reviewed periodically and maintained at an adequate level. A capital plan was needed. Several violations of law were found.

An Agreement entered into with the bank required a management study; a written program for the elimination of criticized assets; board approval of country exposure limits; improved lending, nonaccrual, and charge-off policies; disposition and appraisal of "other real estate owned;" improved policies regarding capitalization of interest and use of interest reserves; adequate provision to the allowance for possible loan losses; a strategic business plan; a capital plan and dividend restrictions; and correction of violations of law.

115. Bank with assets of $100 to $250 million

An examination revealed poor board and management supervision, resulting in steadily increasing classified assets, improper loan administration, and increasing over-due loans. Several violations of law were found, and consumer compliance was inadequate. Internal controls were lacking and written policies were needed in the areas of funds management and internal audit.

An Agreement required a management study of the senior lending officer, improved loan policies and loan administration, internal loan review, a written program for the elimination of criticized assets, strengthened collection efforts, review and adequate provision for allowance for possible loan losses, a program for compliance with consumer laws, correction of violations of law, implementation of internal controls and internal audit, funds management, and adherence to written policies

116. Bank with assets of $250 to $500 million

An examination revealed deterioration in the bank's condition, primarily centered in its lending operations. Classified assets were high, the bank's lending policy needed revision, and the bank's allowance for possible loan losses was inadequate. These problems were primarily a result of inadequacies in the bank's lending policies and procedures.

An Agreement required the bank to establish a compliance committee, take certain action with respect to criticized assets, take steps to ensure the adequacy of the bank's allowance for possible loan losses, revise the bank's lending policy, adopt policies governing the supervision and control of nonaccrual loans, develop a 3-year capital program, establish a policy on brokered funds, and report on the level of brokered funds.

117. Bank with assets of $25 to $50 million

A recent examination revealed the controlling owners, who also were directors and bank officers, had been involved in appropriating bank funds for personal use by falsifying bank records. Also, numerous improper overdrafts were discovered. There was a need to determine the full extent of the problems, as well as to address other concerns which included a lack of adequate management and high classified assets. The bank's lending policy was out-of-date and no loan review system was in operation. Many credits lacked current and satisfactory credit information and there was no program or policy to ensure that the bank's allowance for possible loan losses was kept adequate. Concentrations of credit were not monitored by the bank and the bank had no funds management policy. The bank's investment policy was outdated and there was no internal audit program.

An Order to Cease and Desist required the bank, at the expense of the culpable individuals, to hire a certified public accountant to review all transactions with the involved individuals and determine whether the bank had suffered a loss of funds, in either principal, interest or fees which should have been charged. Further, the bank was ordered to adopt

[illegible] conflict of interest policy, and to determine whether the salaries and other compensation was justified. A general management study was also called for. Additionally, the bank was to adopt a program to eliminate the basis of criticism of the assets criticized in the report of examination. The bank's lending policy was to be revised, a loan review system established, and all necessary steps taken to obtain current and satisfactory credit information on loans cited in the report of examination. The adequacy of the allowance for possible loan losses was to be reviewed periodically and deficiencies corrected. Concentrations of credit were to be monitored and controlled, and an asset liability or funds management policy developed and followed. The investment policy was to be reviewed and updated and an internal audit program developed.

118. Bank with assets of $50 to $100 million

A recent examination revealed the bank had management deficiencies which had contributed to a high amount of criticized assets. Collection efforts had been weak and credit information deficiencies were noted in several loans. The bank had no independent loan review system for identifying and categorizing problem credits, and several violations of law existed including violations of 12 USC 29 and 12 CFR 7.3025, relating to other real estate owned. The bank had no funds management policy and was in need of a program to maintain its capital at an adequate level. The bank's consumer compliance program was deficient.

An Agreement required the bank to conduct a management study with particular emphasis on the lending department and eliminate any staffing deficiencies discovered. A program to eliminate the basis for criticism of the bank's assets was to be established as was a program to improve and strengthen collection efforts. Credit information deficiencies cited in the report of examinations were to be corrected and an independent loan review system established. All violations of law were to be corrected and a policy developed to ensure compliance and prevent future violations, including management of other real estate owned. A funds management policy was to be developed, and the bank was required to maintain its primary capital at an established level. Finally a consumer compliance program was called for.

119. Bank with assets of $25 to $50 million

A recent examination report revealed that the bank had [illegible] which had impacted [illegible] management was inadequate [illegible] board of directors was not [illegible] of the bank's affairs. The bank had been operating without up-to-date lending policies and procedures governing collections and charge-offs, the addition of unpaid interest to principal, and the placement of loans on nonaccrual status. The bank had no loan review system and current and accurate credit information was lacking for many credits. The allowance for possible loan losses had not been reviewed periodically and was not kept at an adequate level.

An Order to Cease and Desist required that a majority of the candidates for directorships at each annual meeting be independent outsiders. The bank was to achieve a predetermined capital level within 3 months and to maintain capital at or above that level thereafter. Dividends were restricted and violations of law were to be corrected. The lending policies were to be revised and updated as were policies governing collections and charge-offs, recoveries, the addition of unpaid interest to principal, and nonaccrual loans. A loan review system was to be established. The grounds for the criticism of the bank's assets were to be eliminated and a written program adopted to cause the bank to obtain and analyze current and satisfactory credit information on loans cited as lacking such. A written program for quarterly reviews of the allowance for possible loan losses was to be established and the sufficiency and competency of the bank's officers reviewed.

120. Bank with assets of $100 to $250 million

An examination disclosed deterioration in asset quality, earnings, and liquidity. Classified assets had dramatically increased. Personnel turnover in the lending area had created a lack of depth in management and management information systems throughout the bank were inadequate. A high level of commitments, particularly in the foreign exchange area, and a reduction in short-term investments had adversely affected the bank's liquidity. Lack of expertise and inadequate monitoring systems in the bank's foreign exchange operations exposed the bank to abnormal risks. Foreign exchange operations were considered excessive in relation to the bank's capital and asset base. Overall, supervision by the board was insufficient and internal controls were inadequate.

An Agreement required a review of management, staffing, and management information systems, and the corrections of deficiencies in those areas. The Agreement addressed criticized assets, an independent internal loan review system, adherence to the bank's loan policy, and maintenance of credit and collateral information and documentation. A periodic review of the allowance for possible loan losses and maintenance of an adequate allowance was required.

Procedures to correct the deficiencies in internal controls and to revise in bank's foreign exchange policies and procedures were required. A 3-year strategic plan establishing guidelines and objectives for the bank's growth, liability structure, capital adequacy, earnings performance, foreign exchange position, and international lending posture was required.

121. Bank with assets of $25 to $50 million

An examination disclosed deterioration in the overall condition of the subject bank. In particular, the examination revealed poor earnings, inadequate capital, high levels of criticized assets, and an inadequate allowance for possible loan losses. These problems were primarily a result of poor management and staffing deficiencies in the lending area.

An Agreement required the bank to establish a compliance committee, take steps to ensure the adequacy of the bank's allowance for possible loan losses, develop a 3-year capital plan, and maintain a minimum level of primary capital, develop a profit plan, take certain action with respect to criticized assets, complete a review of the management and staffing needs in the lending area, establish a policy on the use of brokered funds, and report the level of brokered funds.

122. Bank with assets of $100 to $250 million

An examination revealed significant deterioration in the bank's overall condition. In particular, the examination revealed a sharp rise in classified assets, high levels of credit and collateral exceptions, violations of law, significant management deficiencies, and inadequate capital. These problems were primarily attributable to poor lending practices and inadequate management and board supervision.

An Order to Cease and Desist required the bank to: (1) establish a compliance committee, (2) maintain equity capital at or above an established level, (3) refrain from declaring dividends except under certain conditions, (4) take certain actions regarding criticized assets, (5) obtain and maintain current and satisfactory credit information, (6) implement a program to improve collection efforts, (7) revise its loan policy, (8) establish a loan review system, (9) ensure the adequacy of the bank's allowance for possible loan losses, (10) complete a written review of the effectiveness of the board, (11) adopt a comprehensive conflict of interest policy, (12) appoint a senior lending officer, (13) complete a written study of the adequacy of bank management, (14) correct all violations of law, (15) revise the bank's funds management policy, (16) revise the bank's investment policy, (17) adopt policies governing domestic wire transfer, (18) correct internal control deficiencies, (19) report on the level of brokered funds, and (20) submit an annual budget.

123. Bank with assets of $500 million to 1 billion

An examination revealed deficiencies in the bank's overall operations. In particular, the examination disclosed high levels of criticized assets, an inadequate allowance for possible loan losses, inadequate capital, and violations of law. These problems were primarily a result of poor lending practices and inadequate management and staffing.

A Memorandum of Understanding required the bank to establish a compliance committee, take certain actions relative to criticized assets, review and revise the bank's independent internal loan review system, ensure the adequacy of the bank's allowance for possible loan losses, maintain primary capital at or above an established level, refrain from paying dividends except under certain conditions, comply with the guidelines for participations contained in banking circular 181, report on the level of brokered funds, correct violations of law, and develop a program to strengthen the bank's internal audit functions.

124. Bank with assets of less than $25 million

An examination revealed deterioration in the bank's overall condition. In particular, the examination revealed inadequate management, an inadequate allowance for possible loan losses, high classified assets, poor earnings, and high credit exceptions. These problems were primarily attributable to ineffective management and board supervision.

An Agreement required the bank to conduct a written review of board and management functions, employ a senior lending officer, take certain actions with respect to criticized assets, revise the bank's lending policy, establish a loan review system, obtain and maintain current and satisfactory credit information, ensure the adequacy of the allowance for possible loan losses, revise the bank's funds management policy, and develop a profit plan.

125. Bank with assets of less than $25 million

The bank was operating under an Order to Cease and Desist. However, a subsequent examination revealed substantial deterioration in the bank's condition. In particular, the examination disclosed massive loan losses which threatened the solvency of the bank.

A Temporary Order to Cease and Desist required the bank to cause the immediate injection of $1.5 million in equity capital. The Temporary Order also required the

[illegible] to maintain [illegible] capital of $500 thousand.

126. Bank with assets of less than $25 million

The bank was operating under an Order to Cease and Desist which addressed significant deficiencies in the bank's overall operations. However, an examination of the bank disclosed that the bank's newly appointed chairman of the board had engaged in certain unsafe and unsound practices which threatened the solvency of the bank. In particular, the bank's chairman had ordered the transfer of certain bank funds without the proper authorization and without certain controls put in place. Additionally, the chairman had authorized the extension of credit to certain borrowers without the necessary documentation or approval by the board of directors.

A Temporary Order to Cease and Desist was issued against the bank and its board chairman prohibiting the chairman's participation in the extension of loans, lending of bank funds, commitment of bank funds, investment of bank funds, sale or exchange of bank assets and borrowing on behalf of the bank. Subsequent to the issuance of the Temporary Order, the chairman agreed to resign as director of the bank, reimburse the bank for certain loans authorized by him, and not participate in the affairs of any federally insured bank without the prior written consent of the appropriate regulator.

127. Bank with assets of $25 to $50 million

An examination revealed deterioration in the overall condition of the bank. The examination disclosed, among other things, high levels of criticized assets, an inadequate allowance for possible loan losses, and management and staffing deficiencies in the bank's loan operations. These problems were primarily caused by poor economic conditions and inadequate management supervision of the lending area.

An Agreement required the bank to conduct a study of its management needs, take certain actions with respect to criticized assets, develop a written program to improve the bank's loan administration, take steps to ensure the adequacy of its allowance for possible loan losses, develop a 3 year capital program, and establish a policy on brokered funds which would require certain reporting concerning the level of activity.

128. Bank with assets of $250 to $500 million

An examination [illegible] classified assets [illegible] loan administration had [illegible] problems. The [illegible]

department was grossly inadequate for the size and operations of the bank, and loan review was ineffective and inadequately staffed. The chairman of the board refused to delegate authority to bank management, ignored internal control criticisms pointed out in examinations, and failed to establish policies and information systems to adequately monitor the bank's operations.

An Agreement addressed management and staffing deficiencies and required establishment of management information systems. Review of the bank's loan administration and credit department by a committee of outside directors was required as was revision of the bank's lending policy. The Agreement required implementation of an independent loan review system, periodic review of the bank's allowance for possible loan losses, and programs to strengthen or collect problem assets. A strategic plan covering earnings, balance sheet mix, capital, marketing, and reducing the volume of under-performing and non-performing assets was required. The Agreement provided that the plan must ensure that the bank's growth is prudent relative to capital, funding sources, management, and staffing.

129. Bank with assets of less than $25 million

A recent examination revealed a significant increase in criticized assets and a weakness in the bank's capital. Management was present only on a part-time basis and bank policies were not consistently applied. Collection efforts were lax and current and satisfactory credit information was often lacking. The allowance for possible loan losses was not being kept at an adequate level and was not reviewed periodically.

An Order to Cease and Desist required the bank to appoint a full-time chief executive officer and to add a senior lending officer to the bank's management staff. The bank's current management was to be reviewed for adequacy and strengthened as needed. The written loan policy was to be expanded and revised and the written loan administration program reviewed and augmented where necessary. The Order further required the bank to adopt and implement a program to strengthen collection efforts and to eliminate the grounds upon which loans were criticized. Current and satisfactory credit information was to be obtained, where lacking, and the allowance for possible loan losses was to be reviewed periodically and maintained at an adequate level. New capital was to be added and capital maintained at a predetermined level.

130. Bank with assets of $50 to $100 million

An examination revealed deterioration in the overall condition of the bank. In particular, the examination

disclosed high levels of criticized assets, an inadequte allowance for possible loan losses, and inadequate funds management policies. These problems were primarily attributable to inadequate supervision.

An Agreement required the bank to take certain actions with respect to criticized assets, ensure the adequacy of the bank's allowance for possible loan losses, charge off improperly accrued interest on certain nonaccrual loans, revise the bank's funds management policy, and develop a 3-year capital program.

131. Bank with assets of less than $25 million

An examination revealed that the condition of the bank had deteriorated, particularly in the lending area. Classified assets had increased substantially. Credit exceptions represented a substantial percentage of gross loans as did collateral documentation deficiencies. Past-due loans were high. Deterioration in the loan portfolio had resulted in heavy loan losses and the need to increase the allowance for possible loan losses. This, in turn, reduced earnings and weakened the bank's capital position. Internal controls needed strengthening. Management had been changed prior to the examination.

An Agreement required the bank to: (1) establish a written program to eliminate criticized assets, (2) improve loan administration, (3) obtain current and satisfactory credit information for certain criticized loans, (4) maintain an adequate allowance for possible loan losses, (5) study current management and develop a plan to correct any deficiencies, and (6) achieve a minimum level of primary capital. The bank was further required to develop a profitability plan to improve and sustain earnings, correct internal control deficiencies, and develop a brokered funds policy which included notifications of the Comptroller of the Currency if brokered funds exceed 5 percent of total deposits.

132. Bank with assets of less than $25 million

An examination disclosed that capital had been depleted by high expenses and operating losses. Management had attracted deposits by offering above-market rates and subsequently invested the bank's funds in long-term real estate loans purchased from brokers and other financial institutions. Management of the bank was weak. The cashier had been dismissed and the position was vacant. The president did not have firm control of daily activities of the bank and was later dismissed. The senior loan officer had been replaced. Past-due loans and financial statement and collateral exceptions were excessive. The loan portfolio was poorly managed.

An Agreement required the bank to eliminate the criticisms in the loan portfolio, correct all violations of law cited in the report of examination, appoint a capable chief executive officer, study current management to assess adequacy, and develop a profit plan to improve the profits of the bank. Further, the bank was required to develop a written funds management policy, a brokered funds policy and a written lending policy, and to prohibit the purchase of loans or participations unless consistent with banking circular 181. Finally, the bank was called upon to obtain current and satisfactory credit information, revise its investment policy, and correct its internal control deficiencies.

133. Bank with assets of $25 to $50 million

A recent examination determined that classified assets had increased significantly. Loan losses were high and a substantial volume of doubtful credits were listed. Management supervision was weak with reliance focusing on collateral positions rather than repayment ability. Earnings had been affected by nonaccruals and past-due loans. The allowance for possible loan losses was inadequate. Criticized assets threatened future earnings and put a burden on the bank's capital.

An Agreement required the bank to undertake a management study, limit further extensions of credit to criticized borrowers unless failure to do so would be detrimental to the best interests of the bank, institute a loan administration program, review the adequacy of the allowance for possible loan losses, and develop a written lending policy. The bank was called on to develop a capital program that anticipates future growth, establish a written funds management policy, and implement a comprehensive written internal controls program.

134. Bank with assets of $250 to $500 million

The problems in this bank centered around its funds management practices. On two occasions, the management of the bank had positioned the bank in anticipation of interest rate movements, but in each instance rates moved contrary to their expectations. This had resulted in a significant, cumulative, negative gap and produced a substantial operating loss. Capital was adversely affected and was inadequate.

A Formal Agreement with the bank required an outside consultant's study of the bank's asset and liability practices. In addition, the Agreement required the board to develop revised written funds management policies which would include, among other things, limits on the degree of imbalance in the bank's rate sensitive position. The bank was required to achieve

and maintain primary capital at or above an established level and the payment of dividends was restricted. Finally, the bank was required to develop a detailed profit plan including [illegible] budgets with projected balance sheet and income statements

135 Bank with assets of $25 to $50 million

A recent examination revealed insider abuse, including unsubstantiated insider fees and expenses and excessive salaries to directors. The bank had accumulated excessive classified assets because it lacked proper controls, supervision, and monitoring systems. The bank also had a large volume of out of area lending. Capital was marginal and earnings had been affected by loan losses.

An Order to Cease and Desist required correction of all insider abuse, with restitution of any amounts owing, and required the adoption of procedures to prevent similar occurrences. A written program to eliminate the criticized assets was required as was revision of the bank's lending policy. A written collection program was required and the bank was prohibited from further lending to borrowers with criticized loans. The bank was required to establish an internal loan review system and to establish procedures to eliminate undue concentrations of credit in the loan portfolio. Quarterly review of the allowance for possible loan losses was established and the bank was required to maintain primary capital at an established level. In conjunction with the capital plan, dividends were restricted. A funds management program and an internal audit program were also required.

136. Bank with assets of $25 to $50 million

Poor lending practices, inadequate loan documentation, and failure to establish or enforce repayment programs caused the accumulation of excessive classified assets. Liquidity was inadequate and substantial investments had been made in stripped U.S. Treasury coupons and bonds. Capital was inadequate, management information systems were poor, and policies were lacking in many key areas.

An Order to Cease and Desist required a study of bank management and the development of written policies, including a funds management, investment and lending policy. An immediate increase in liquidity was mandated and the Board was required to establish a written program to eliminate each criticized asset. The Board was also required to establish an internal loan review system, to obtain current and satisfactory credit information on all loans, and to review the Bank's allowance for possible loan losses on a quarterly basis. Capital was required to be [illegible]

137. Bank with assets of $25 to $50 million

An examination revealed significant deterioration in the loan portfolio due to liberal lending practices and failure to identify problem credits. An inordinate number of credit and collateral exceptions were accompanied by substantial delinquencies. Violations of 12 USC 375b were cited, and it was discovered that the chairman of the board was paid substantial amounts solely for his presence at monthly board meetings.

An Agreement required a management study, a new senior lending officer, substantiation of the salary paid to the chairman of the board, a written program to eliminate criticized assets, a revised lending policy, internal loan review, a nonaccrual policy, development of sufficient credit information and collateral documentation, strengthened collection efforts, an adequate allowance for possible loan losses, development of a profit plan, and correction of violations of law.

138. Bank with assets of less than $25 million

A recent examination revealed that the bank's asset quality had declined because of lax board supervision and suspected fraudulent activities of a local business. The bank lacked adequate loan, investment, and asset liability management policies; internal control exceptions were excessive; and earnings were poor. Other deficiencies included high delinquencies, excessive credit and collateral exceptions, and an inadequate allowance for possible loan losses. Several violations of law were found. The consumer compliance program was inadequate and there were violations of Regulation B.

An Agreement required the bank to establish a compliance committee; correct all violations of law; strengthen criticized assets; correct all credit and collateral exceptions; develop and implement policies for the allowance for possible loan losses, collections, loans, investments, and asset liability management; correct internal control exceptions; develop a budget and strategic plan; establish a policy for nonaccrual loans, and adopt and implement a program for consumer compliance and Regulation B (12 CFR 202).

139. Bank with assets of $25 to $50 million

A recent examination revealed that a lack of effective supervision and administration by directors and management and repeated turnover of key management personnel had resulted in a high level of criticized assets, excessive past-due loans, and credit and collateral exceptions. Also, there was an increasing volume of nonaccrual loans and loan losses, an inadequate allowance for possible loan losses, negative earnings, insufficient capital support, and numerous violations of law and internal control deficiencies. A

poorly planned conversion to an in-house electronic data processing system had resulted in increased expenses to correct the problems and diversion of management resources from asset and earnings problems. Lending practices were poor and there was no loan review function. Policies and procedures in the lending , funds management, audit, and consumer compliance areas were inadequate or nonexistent

An Agreement required correction of all violations of law, internal control deficiencies, and credit and collateral exceptions. A program to reduce criticized loans was called for along with adequate policies and procedures for nonaccrual loans, lending, funds management, and an improved audit procedure. Further, the bank was required to maintain adequate capital and allowance for possible loan losses and improve audit procedures and control systems and overall management needs and abilities. An improved consumer compliance program was called for and electronic data processing deficiencies were to be corrected.

140. Bank with assets of less than $25 million

An examination revealed that inadequate supervision by the board and bank management had resulted in a deterioration of the loan portfolio with high loan documentation exceptions and past-due loans. The internal problem loan list was inadequate. Most of the losses stemmed from participations purchased from one bank. The allowance for possible loan losses was inadequate as was management's review process to determine adequacy. Documentation exceptions were accentuated by the excessive amount of unwarranted and unsecured lending. The provision for loan losses necessary to restore the allowance had consumed earnings. Capital was reduced to an inadequate level by loan losses.

An Agreement required the bank to: (1) develop a program for criticized assets and cease making loans to borrowers whose assets were criticized, (2) develop a collection policy, (3) correct all credit and collateral deficiencies, (4) improve loan participation procedures, (5) implement an internal loan review system, (6) revise the lending policy, (7) review and maintain an adequate allowance for possible loan losses, (8) develop a capital program, (9) refrain from declaring dividends without prior written approval of the Deputy Comptroller, (10) prepare a budget, (11) conduct a management study, (12) correct all violations of law, (13) develop a funds management policy, and (14) correct internal control deficiencies.

141. Bank with assets of $50 to $100 million

An examination revealed that lack of supervision, rapid growth, and lack of a loan review function had contributed to significant asset quality deterioration. The bank was particularly weak in floor plan loans and had excessive overdrafts The allowance for possible loan losses was inadequate and documentation exceptions were high. Unpaid accrued interest had been continually rolled into principal on many loans The bank was losing money and capital was inadequate. Poor funds management practices had resulted in low liquidity and reliance on short-term borrowings. No rate sensitivity analysis was performed There were numerous violations of law and the bank lacked a consumer compliance officer.

An Agreement required the bank to restore the allowance for possible loan losses to an adequate level by the end of the quarter, prepare a plan to restore capital, appoint a compliance committee, develop a program for criticized assets and stop lending to borrowers whose credits are criticized, correct all credit and collateral deficiencies and review and amend lending policies to address overdrafts, collection efforts, floor plan loans, and nonaccrual loans. The bank was required to implement an internal loan review system, develop a capital program, prepare a budget, monitor liquidity, revise the funds management policy, conduct a management study, correct violations of law, notify the agency about brokered funds if required, and improve the internal audit program.

142. Bank with assets of $25 to $50 million

A recent examination disclosed that the purchase of loan participations which subsequently became problems, was the primary reason underlying the excessive classified assets. Credit and collateral exceptions and delinquencies had risen to excessive levels. This impacted the bank's earning capacity and strained capital. The allowance for possible loan losses was found to be inadequate. There were several violations of law, including one violation of the lending limit An independent internal audit was needed

A Memorandum of Understanding required the bank to establish a program for eliminating the basis of criticism of the criticized assets, correct credit collateral exceptions and develop and adhere to a concentrations policy and a policy addressing loan participations. The Memorandum also required the allowance for possible loan losses to be reviewed quarterly and be maintained at an adequate level correction of all violations of law and establishment of procedures to prevent recurrence a 3 year capital program a 3 year business plan improvement of the audit program and reporting of brokered deposits

143. Bank with assets of $50 to $100 million

At a recent examination asset quality had declined and capital [illegible] with growth. There was no internal loan review and practices did not conform with written lending policy. Documentation exceptions were excessive. Preferential treatment was indicated by classified loans to directors and directors' interests. The allowance for possible loan losses was inadequate and required a large provision during the examination. Asset and liability management lacked a written policy and formal procedures. Although asset-sensitive, the bank monitored "after the fact," concentrating on acquiring high cost deposits to compete with area banks. Earnings were eliminated by the loss provision, low net interest margins, and overhead expenses. Retained earnings growth was undermined by the holding company's need for bank dividends to meet debt service requirements.

A Memorandum of Understanding required the bank to (1) develop a program for criticized assets, and cease making loans to borrowers whose assets are criticized; (2) correct all credit and collateral deficiencies; (3) develop a collection policy; (4) implement an internal loan review system; (5) review and maintain an adequate allowance for possible loan losses; (6) devise a business plan, including a budget and capital program; (7) conduct a management study; (8) correct all violations of law; (9) develop a funds management policy; (10) improve the internal audit program; and (11) correct internal control deficiencies.

144. Bank with assets of $25 to $50 million

An examination revealed that weak lending practices coupled with a severe local economic depression had resulted in poor asset quality and excessive classified assets. The loan review function was ineffective. Funds management practices led to poor liquidity planning, a significantly mismatched rate-sensitivity position, and poor net interest margins. Only nominal 1984 earnings were anticipated because of asset quality and funds management problems. Several violations of law were disclosed, including consumer violations.

An Agreement required the bank to correct all violations of law and implement procedures to prevent future violations. The bank agreed to formulate and [illegible] to eliminate the grounds for [illegible] asset; improve collection [illegible] supervise and [illegible] provide for an adequate [illegible] and provide for [illegible] policy was [illegible] and investment [illegible] adequate loan

review system developed. A management study was to be performed and a budget and capital plan developed. Finally, a CPA-opinioned audit was to be performed and an internal audit program implemented. A consumer compliance program was to be developed.

145. Bank with assets of $50 to $100 million

An examination disclosed that inadequate supervision and administration by directors and management had resulted in a high level of criticized assets, large loan losses, excessive past-due loans and credit and collateral exceptions, inadequate allowance for possible loan losses and capital support, poor earnings, and several violations and internal control deficiencies. There was no loan review, poor credit documentation, lax lending practices and an inadequate loan policy. Policies in most areas were nonexistent or in need of revision. Staffing needed to be addressed, especially in the loan area. There was no internal audit program or auditor. There was no planning process.

An Agreement required: correction of all violations of law, internal control deficiencies, and credit and collateral exceptions; efforts to reduce the level of criticized loans and improve the collection of past-due and charged-off loans; development of adequate policies and procedures; maintenance of adequate capital support and allowance for possible loan losses; establishment of a loan review system and internal audit; improved planning; and an assessment of board and management needs and abilities.

146. Bank with assets of $100 to $500 million

The examination disclosed classified assets at a high level with a large amount in the doubtful category. Although management had improved after a series of turnovers, the bank lacked a senior lending officer with proper expertise. The allowance for possible loan losses was restored during the examination and a net operating loss resulted.

An Agreement required the bank to develop a program for criticized assets and cease making loans to borrowers whose assets are criticized, develop a collection policy, review and maintain an adequate allowance for possible loan losses, prepare a profit plan, correct all violations of law, and notify the agency about brokered funds.

147. Bank with assets of less than $25 million

An examination revealed that asset quality had deteriorated due to management's lack of attention to loan administration. Credit and collateral exceptions were excessive, internal loan review was inadequate, delinquencies and nonaccruals had increased. Internal

audit was unacceptable, and review of the allowance for possible loan losses was insufficient.

A Memorandum of Understanding required the bank to develop and implement a written program designed to remove each criticized asset from that status, correct all credit and collateral exceptions, develop and implement an internal loan review system, correct the internal control exceptions, and correct each violation of law.

148. Bank with assets of $25 to $50 million

Classified assets have become excessive. Asset problems were attributed to weak lending principals—failure to establish and enforce repayment programs and documentation exceptions—aggravated by employee turnover. The allowance for possible loan losses was inadequate and earnings had been depleted by provisions necessary to bring the allowance to an adequate level. Weak earnings for the two prior years, due primarily to loan losses and other noninterest expenses, combined with rapid growth, had created an inadequate capital position.

An Agreement required the bank to conduct a management study, revise the lending policy, implement a program to reduce criticized assets, improve loan documentation, and establish a loan review program. Additionally, the bank was to develop a 3-year strategic plan, a capital plan to provide for an established level of capital by December 31, 1984, a funds management policy, and an internal audit program. The bank was also to ensure that an adequate allowance for possible loan losses is maintained, that all violations of laws are corrected, and that all electronic data processing deficiencies are eliminated

149. Bank with assets of $25 to $50 million

An examination disclosed that the lack of effective supervision and administration by directors and management, along with a large volume of poor quality purchased loan participations, had resulted in high classified assets, excessive credit and collateral exceptions, large loan losses, an inadequate allowance for possible loan losses, poor earnings, inadequate capital support, and numerous violations of law and internal control deficiencies. Policies and procedures in most areas were inadequate or missing. There was no loan review function; lending practices were poor; and there was no budget or planning process. Internal audit practices were unacceptable and a consumer compliance program needed. Violations included 12 USC 84 lending limit violations.

An Agreement required correction of all violations of law, internal control deficiencies, and credit and collateral exceptions, efforts to reduce the level of criticized assets, development of adequate policies and procedures, assessment of overall staffing needs, increase and maintenance of adequate capital support, improved audit and consumer compliance, an adequate allowance for possible loan losses, and the development of a budget and planning process

150. Bank with assets of less than $25 million

A poor loan policy, poor lending practices, and inadequate supervision had resulted in excessive criticized assets and documentation exceptions. There were no collection or charge-off policies, and excessive extensions and renewals had been granted. A significant volume of loans were delinquent and/or in a nonaccrual status. The allowance for possible loan losses had been eliminated by losses. New income was down from previous years. Capital was strained because of asset problems. The funds management policy and information system were unacceptable. Several violations of law were cited. Consumer compliance efforts and internal audit needed improvement.

An Agreement required the bank to take action to protect its assets, including creation of a revised loan policy, nonaccrual policy, program to eliminate the basis of criticism of assets, stronger collection efforts, and a loan review program. In addition, documentation exceptions were to be corrected, the allowance for possible loan losses to be maintained at an adequate level and a senior-lending officer to be hired. The Agreement also required a 3-year capital program, prohibited the payment of dividends, called for an improved funds management policy including an adequate information system and required correction of the violations of law and establishment of a consumer compliance program.

151. Bank with assets of less than $25 million

An examination revealed that poor quality loan participations and a lax loan supervision and collection effort had contributed to high criticized assets, nonaccrual loans, delinquencies, and credit collateral exceptions. The bank also lacked formal loan review and an adequate loan policy. The allowance for possible loan losses was inadequate and a comprehensive funds management policy needed to be developed. Earnings were poor. The bank needed a consumer compliance program.

An Agreement required the bank to improve criticized assets by establishing a program to eliminate the basis of criticism, correct credit collateral exceptions, improve collection efforts, and establish a loan review program. The loan policy was to be revised and concentrations of credit to be monitored. The Agree

[illegible] correction of violations of law. It [illegible] a profit plan, a revised funds management policy, a compliance program, and the maintenance of an adequate allowance for possible loan losses.

152. Bank with assets of $25 to $50 million

An examination revealed that the bank's condition was unsatisfactory. Criticized assets were excessive, credit and collateral exceptions were high, loan growth was rapid as a result of participations purchased from affiliated banks, growth was funded by rate sensitive, out-of-area large certificates of deposit, policies for loans and funds management were inadequate, and earnings were poor due to charge-offs and low interest margins.

An Agreement required the bank to report on criticized assets, establish and follow a policy for participations, loans, allowance for possible loan losses, and funds management, and correct collateral and credit exceptions. The bank was further called upon to establish an internal loan review, prepare a capital plan, establish an internal audit, and correct all violations of law.

153. Bank with assets of $25 to $50 million

A slacking in loan demand had contributed to a deteriorated loan portfolio. The declining quality of loan participations had resulted in excessive loan losses. This had rendered the allowance for possible loan losses inadequate which necessitated large provisions to return it to an adequate level. Earnings were adversely impacted by the provisions. There were also substantive violations of law involving insiders, including repeated legal lending limit violations and preferential treatment to insiders.

An Agreement required a plan of action on criticized assets and monthly progress reports. The Agreement also required correction of the legal lending limit violations as well as all other violations of law. Maintenance of an adequate allowance for possible loan losses and a satisfactory procedure for determining its adequacy were also required. New or revised policies on funds management, investments, loan participations, and collections were also required. A financial plan and budget was to be established.

154. Bank with assets of $50 to $100 million

A recent examination revealed poor lending practices. [illegible]

nonaccrual loans. Losses had depleted the allowance for possible loan losses. Earnings were sharply impacted by the asset problems. A budget was needed. Capital was low as a result of loan losses and provisions to the allowance were required. A funds management policy was needed and several violations of law, including 12 USC 84 lending limit violations, were cited.

An Agreement required the bank to establish a compliance committee, correct all violations of law, and have a special counsel review the violations of 12 USC 84. Also, the bank was to protect the bank's assets by developing a written program to eliminate the basis of criticism, improving collection efforts, reducing credit/collateral exceptions, establishing a loan review system, and adopting a loan and nonaccrual policy. The bank was required to assess the management needs of the bank, maintain the allowance for possible loan losses at an adequate level, increase primary capital to an established level, and develop a profit plan, funds management policy, investment policy, and consumer compliance program.

155. Bank with assets of less than $25 million

Examination revealed a deterioration in the bank's condition attributable primarily to participations purchased from one nonaffiliated bank. Weaknesses in loan supervision also contributed to the deterioration. Credit and collateral exceptions and past-due loans were high. Severe losses had depleted earnings. Primary capital had declined to below minimum capital guidelines. The allowance for possible loan losses was inadequate due to charge-offs during the examination and required a charge to earnings to restore its adequacy. There was no system to address the allowance's adequacy on a continuing basis. There were several violations of law including legal lending limit violations and violations of 12 USC 357(a) and 12 CFR 215.

An Agreement required the bank to develop a program for criticized assets and cease making loans to borrowers whose assets are criticized, correct all credit and collateral deficiencies, develop a collection policy, implement an internal loan review system, review and maintain an adequate allowance for possible loan losses, develop a capital program, refrain from declaring dividends without prior written approval of the Deputy Comptroller, prepare a budget, and correct all violations of law.

156. Bank with assets of $25 to $50 million

A recent examination revealed that the bank's condition was unsatisfactory because of excessive classified assets resulting from speculative real estate lend-

ing to generate fee income, insufficient credit documentation, inadequate staffing, noncompliance with policies and inadequate holding company guidance. In addition, the bank's liability structure contained a large volume of large rate-sensitive, out-of-territory certificates of deposit. Earnings were extinguished by provisions to the allowance for possible loan losses required during the examination and were suspect because of their dependence on loan origination fees.

An Agreement required a compliance committee, a management study, reports on criticized assets, the correction of credit exceptions, the adoption and implementation of a collection program, a concentration policy, an internal loan review policy, an allowance for possible loan losses policy, a strategic plan and capital plan. The bank was also required to develop a funds management policy, to correct all violations of law and internal control exceptions, to improve audit coverage, and to establish tests for compliance with policies.

157. Bank with assets of $25 to $50 million

An examination revealed that the bank had relied heavily on brokered deposits to fund desired growth without maintaining adequate liquidity or assets matched to the volatility of these funds. No funds management policy had been adopted. Additionally, asset quality had not been maintained during a period of rapid growth, and classified assets were excessive. The problems centered around poor documentation and a failure to analyze and establish repayment programs. Maintaining an adequate allowance for possible loan losses had resulted in negligible earnings. There were violations of law, including lending limit violations.

An Agreement required the bank to reduce its reliance on brokered funds, formally monitor liquidity, and formulate a written policy governing liquidity, asset and liability management, and brokered funds. Additionally, the bank was to reduce criticized assets, obtain proper loan documentation, establish a loan review program, and establish a program to ensure an adequate allowance for possible loan losses. A management study was to be performed and a strategic plan formulated covering a 3-year period. Finally, all violations of law were to be corrected with appropriate procedures adopted to prevent future violations and an internal audit program was to be developed.

158. Bank with assets of less than $25 million

A recent examination revealed that lack of effective supervision and administration by directors and management had resulted in poor asset quality, excessive credit and collateral exceptions, high past-due levels, large loan losses, an inadequate allowance for possible loan losses, poor funds management, negative earnings, reduced liquidity, numerous violations of law and regulation, and internal control deficiencies. Rapid growth rather than quality was emphasized. Management did not adopt needed formal policies and procedures. There was no written loan policy, funds management policy, or loan review system. The investment policy needed revision. Lending practices were lax. Violations of law included 12 US 84.

An Agreement required correction of all violations, internal control deficiencies, and credit and collateral exceptions; efforts to reduce criticized assets and past-due loans; development of adequate policies and procedures; assessment of overall staffing needs, maintenance of an adequate allowance for possible loan losses, and development of a budget and capital plan.

159. Bank with assets of $25 to $50 million

A recent examination disclosed that poor board and management supervision had resulted in poor asset quality, inadequate lending practices, excessive credit and collateral exceptions, large loan losses, an inadequate allowance for possible loan losses, depressed earnings, and numerous violations of law. Bank policies needed to be revised and adhered to, and a consumer compliance program was needed.

An Agreement required correction of all violations of law, and credit and collateral exceptions; efforts to reduce classified assets; revisions in bank policies, including funds management and lending; improved board supervision; development of a consumer compliance program; and a revised budget and capital plan. A periodic review of the adequacy of the allowance for possible loan losses was also required.

160. Bank with assets of less than $25 million

An examination disclosed that the bank's condition had deteriorated as a result of lax board and management supervision, loan portfolio expansion without adequate staffing, and inadequate policies and procedures. The bank had experienced severe asset erosion with high past-due loans and documentation exceptions, which included lack of separate credit files, cattle inspections, real estate appraisals, and stale or no financial statements. Loan losses had eliminated the allowance for possible loan losses which required a sizable provision expense. There was no periodic review of the allowance although that lack had been cited at previous examinations. Internal controls were poor and numerous deficiencies noted at the last examination had not yet been corrected. Electronic data processing operations [illegible]

[illegible] policies were [illegible]. No funds management policy had been developed and the bank was highly liability-sensitive.

An Agreement required the bank to develop a program for criticized assets and cease making loans to borrowers whose credits are criticized, correct all credit and collateral deficiencies, review and amend the lending policy and include a collection policy, implement an internal loan review system, review and maintain an adequate allowance for possible loan losses, conduct a management study, develop a comprehensive funds management policy, and prepare a budget. Additionally, the bank was to correct all violations of law, particularly consumer violations, correct internal control deficiencies, and notify this Office concerning brokered funds as required.

161. Bank with assets of $25 to $50 million

A recent examination revealed a deterioration in the bank's loan portfolio. Classified assets had become excessive. A violation of the lending limits under 12 USC 84 had resulted in substantial loss to the bank. The allowance for possible loan losses was inadequate. Provisions necessary to restore the allowance to a satisfactory level had eliminated earnings.

A Memorandum of Understanding required a plan of action on criticized assets and monthly progress reports. The Memorandum also required improved procedures for determining the adequacy of the allowance for possible loan losses. In addition, an independent counsel was required to ascertain potential director's liability, if any, in connection with the 12 USC 84 violation which resulted in a charge-off.

162. Bank with assets of $50 to $100 million

An examination revealed that poor supervision and administration by former directors and management along with inadequate lending and funds management practices had resulted in a high level of criticized assets, excessive past-due loans and credit and collateral exceptions, high loan losses, an inadequate allowance for possible loan losses, poor earnings, and several violations of law including one lending limit violation. Ownership and the board of directors changed prior to the examination and the new group has not yet corrected the problems. The group has [illegible] many of the problems; however, a [illegible] has not been [illegible].

[illegible]

development of adequate policies and procedures including a revised lending policy, a funds management policy, and a collections program. The bank was also called upon the maintain its allowance for possible loan losses at an adequate level and to devise a business plan.

163. Bank with assets of less than $25 million

A recent examination revealed that lack of effective supervision and administration by directors and management had resulted in high criticized assets, excessive credit and collateral deficiencies, an inadequate allowance for possible loan losses, negative earnings, and numerous violations of law and internal control deficiencies. The bank had made many commercial loans without proper policies, procedures, and management expertise. Lending practices were poor and there was no loan review function. Policies and procedures in most areas were inadequate. There was no planning process. Among the violations were violations of the bank's lending limit.

An Agreement required correction of all violations of law, internal control deficiencies, and credit and collateral exceptions, appointment of a new senior lending officer, efforts to reduce the level of criticized assets, development of adequate policies and procedures in areas including investment, funds management, and lending. The bank was also required to maintain adequate capital and an adequate allowance for possible loan losses, improve planning, and assess overall management needs and abilities.

164. Bank with assets of less than $25 million

Inadequate supervision and administration by directors and management resulted in a high level of criticized assets, excessive credit and collateral deficiencies, large loan losses, an inadequate allowance for possible loan losses, poor earnings, and insufficient capital support. Policies and procedures in the loans, funds management, and audit areas needed to be developed or revised. Lending and funds management practices were inadequate. There was no loan review system or assessment of allowance for possible loan losses adequacy. Planning, budgeting, and management needs had not been addressed.

An Agreement required correction of all credit and collateral exceptions and internal control deficiencies, efforts to reduce criticized assets and improve the collection of charged-off loans, establishment of an allowance for possible loan losses, a loan review system and internal audit, development of adequate policies and procedures, maintenance of sufficient capital, improved planning and budgeting, and an assessment of management abilities and needs.

165. Bank with assets of $25 to $50 million

A recent examination revealed that past-due and classified assets had escalated. Loan portfolio deterioration, in part, was a result of lengthy resolution of voluminous litigation against problem borrowers. Credit and collateral documentation exceptions had risen to excessive levels. Management was spending much of its time on problem credits, and turnover among the board and management was heavy.

A Memorandum of Understanding required the bank to develop a program for criticized assets and cease making loans to borrowers whose assets are criticized, develop a collection policy, revise the lending policy, correct all credit and collateral deficiencies, review and maintain an adequate allowance for possible loan losses, refrain from declaring dividends without prior written approval of the Deputy Comptroller, correct all violations of law, and notify this Office about brokered funds as required.

166. Bank with assets of $25 to $50 million

An examination disclosed a lack of effective supervision and administration by directors and management, along with rapid growth and heavy out-of-territory lending funded by brokered deposits. This had resulted in a high level of criticized assets, excessive credit and collateral exceptions, an inadequate allowance for possible loan losses, negative earnings, weak liquidity, insufficient capital support, and numerous violations of law and internal control deficiencies. Policies and procedures in the loan and funds management areas were poor. There was no loan review function; lending practices were weak; and management had not devoted sufficient time to the loan area. Poor funds management practices combined with high overhead expenses and liability costs had resulted in losses going back over a year. Among the violations were several involving the bank's lending limit.

An Agreement required correction of all violations of law, internal control deficiencies, and credit and collateral exceptions; efforts to reduce the level of criticized loans and control of out-of-territory loans and brokered deposits; development of adequate capital and allowance for possible loan losses, improved planning; and an assessment of overall management needs and abilities.

167. Bank with assets of $50 to $100 million

An examination revealed that imprudent lending practices and an economic slump had resulted in a decline in asset quality. Classified assets had more than tripled and documentation exceptions were excessive. The bank president dominates all areas of decision-making, resulting in inadequate supervision and no management succession. Numerous violations of law were cited, several of which were repeated from previous examinations. There is no internal auditor and no effective loan review program. Several internal control deficiencies were cited, and controls regarding insider transaction were lacking. The funds management policy was inadequate.

An Agreement required the bank to perform a management study and eliminate any deficiencies, take action to improve asset quality, including a revised loan policy and correction of credit and collateral exceptions; improve collection efforts; establish a loan review system; develop a program to eliminate the basis of criticism for criticized assets, and maintain an adequate allowance for possible loan losses. The bank was to develop a funds managment policy, adopt a conflict of interest policy, correct all violations of law, including specifically those related to other real estate owned; correct all internal control deficiencies, develop a consumer compliance program; take corrective action on Equal Credit violations, and develop an audit program. A strategic plan, a 3-year budget, monthly reviews of liquidity, and reporting of brokered funds were also required.

168. Bank with assets of less than $25 million

An examination revealed that problem assets were excessive because loan administration was poor and supervision was lax. Liquidity was marginal; funds management was inadequate; credit and collateral exceptions were excessive; written policies were inadequate or nonexistent; the allowance for possible loan losses was inadequate; audit coverage was deficient, and internal control exceptions were numerous. Management also had purchased poor quality loan participations.

An Agreement required the bank to establish a compliance committee, correct each violations of law, develop and implement a written program designed to remove each criticized asset from that status, correct all credit and collateral exceptions, establish an internal loan review system, develop policies for lending, loan participations, the allowance for possible loan losses, and asset/liability management, develop a strategic plan, perform a management study, and establish an internal audit function.

169. Bank with assets of less than $25 million

The examination identified excessive criticized assets, excessive credit collateral exceptions, an inadequate allowance for possible loan losses, weak policies, and an unacceptable internal audit. These deficiencies were caused by lax management and board supervision

sion. The allowance for possible loan losses required a large provision during the examination. The examination also disclosed excessive violations of law, including three violations of lending limit and insider restrictions. The bank was dominated by the chairman of the board and principal shareholder.

An Agreement required the bank to correct violations of law; develop a program for criticized assets and cease making loans to borrowers whose credit are criticized; correct all credit and collateral deficiencies; review and amend the lending policy, including participations and nonaccrual loans; implement an internal audit program; prepare a written consumer compliance program; and correct internal control deficiencies.

170. Bank with assets of $50 to $100 million

An examination revealed that significant uncontrolled loan growth without adequate supervision and administration by directors and management had led to a deterioration in asset quality and excessive past-due loans and credit and collateral exceptions. In addition, there was lack of adherence to policy, inadequate management reports, high loan losses, an inadequate allowance for possible loan losses, and poor earnings. Internal audit procedures were weak and numerous internal control deficiencies were cited. Staffing needs in the loan area had not been addressed and current management was unable to devote sufficient time to the bank's problems. There was no strategic planning process.

A Memorandum of Understanding required correction of all violations, internal control deficiencies, and credit and collateral exceptions; a new senior lending officer; and efforts to reduce the level of criticized assets and improve collection of charged-off and past-due loans. The Memorandum also required establishment of allowance for possible loan losses and loan review systems, improved compliance with bank policies, and an assessment of overall management needs and abilities.

171. Bank with assets of $50 to $100 million

A recent examination showed that inadequate supervision and administration by directors and management had resulted in a high level of criticized assets, large loan losses, an inadequate allowance for possible loan losses, poor earnings, and numerous violations of law and internal control deficiencies. Credits were poorly structured and loan procedures were lax. Policies and procedures addressing loans, nonaccruals, other real estate owned, audit, consumer compliance, and funds management needed to be developed or revised. There was no loan review system or assessment of allowance for possible loan losses adequacy. Planning procedures were weak and management needs, particularly in the lending area, had not been addressed.

A Memorandum of Understanding required correction of all violations of law, internal control deficiencies, and credit and collateral exceptions; efforts to reduce the level of criticized loans and improve the collection of past-due and charged-off loans; establishment of an allowance for possible loan losses, loan review system, and internal audit; development of adequate policies and procedures; improved planning; and an assessment of management abilities and needs.

172. Bank with assets of $25 to $50 million

The examination noted poor earnings due to very poor net interest margins and high overhead costs. Negative earnings were unable to support asset growth and capital injections were made. Inadequate funds management practices contributed to the lack of earnings.

An Agreement was entered into which required capital to be maintained at an established level, development of a written capital plan, establishment of dividend restrictions, development of a written profit plan and formal budgeting process, and adoption of a written funds management policy to allow for a coordinated asset/liability management strategy.

173. Bank with assets of $25 to $50 million

The recent examination disclosed continued poor earnings from an inadequate capital base. Unacceptable performance appeared in narrowed net interest margins and high overhead costs, relating primarily to the bank's electronic banking centers. Despite recent capital injections, capital remained inadequate. Poor funds management practices had contributed to the lack of earnings.

An Agreement required capital to be maintained at an established level, development of a written capital plan, dividend restrictions, development of a written profit plan and formal budgeting process, and the adoption of a written funds management policy.

174. Bank with assets of $50 to $100 million

The examination report revealed that the bank's major problems were poor earnings performance and inadequate capital. Poor performance was attributed to high overhead costs, high personnel expenses, shrinking interest margins, and excessive provisions for loan losses. Capital was inadequate despite a recent injection from the bank's holding company.

An Agreement required the bank to maintain primary

capital at an established level and develop a written capital plan. Also required were dividend restrictions, development of a written profit plan and formal budgeting process, and periodic reporting to the Comptroller on compliance with the document.

175. Affiliates of a bank holding company with assets of less than $25 million to more than $1 billion

A multiple bank examination of affiliates revealed a pattern of violations of 12 USC 371c, whereby profitable banks were subsidizing unprofitable operations of affiliates. Loan participations were not supported by adequate financial information. Provisions to the allowance for possible loan losses were often made after the loss rather than in anticipation of future losses. Also, sale and lease-back transactions often gave rise to immediate extraordinary gains without regard to regulatory accounting principles.

An Agreement required the adoption and implementation of a comprehensive policy on transactions with affiliates. Past payments to affiliates not supported by fair value received were to be reimbursed; accounts relating to affiliates were to be reconciled; and call reports were to be refiled when adjustments to be made were significant. Sale and lease-back transactions were to be accounted for properly. The allowance for possible loan losses were to be reviewed periodically and required provisions were to be documented and based on loss exposure. Significant brokered deposits were to be promptly reported to the Deputy Comptroller.

176. Bank with assets of more than $1 billion

The bank's condition had deteriorated. The quality of the loan portfolio had declined, which adversely affected earnings and capital. The bank's management had identified the problems but had not taken strong enough action. Of particular concern were the poor quality loans in the bank's international department, which represented approximately 40 percent of the bank's capital. In addition, some instances lacked credit documentation and loan review. Further, the bank's allowance for possible loan losses was inadequate.

An Agreement required the bank to: (1) implement a program to reduce criticized assets; (2) make no loans to criticized borrowers, except under certain limited circumstances; (3) review the allowance for possible loan losses at least quarterly and ensure its adequacy, (4) achieve and maintain a specific minimum level of primary capital, (5) develop a 3-year capital plan, conduct an anaysis of the bank's domestic and international loan administration functions, and (6) obtain satisfactory credit information on the loans in the international division.

Securities Enforcement Action

1. Bank with assets of more than $1 billion

A general examination of the bank revealed that the bank had engaged in certain acts and practices involving violations of the antifraud provisions of the federal securities laws and the deposit reserve requirements of the Federal Reserve Board's Regulation D. These acts and practices primarily involved the bank's practice of issuing safekeeping receipts for securities purchased for the account of its dealer department customers in cases where the bank had not effected delivery of the security but, instead, had created a "due bill" for that security. These practices were part of a broader course of conduct whereby the bank dealer department used due bills to obtain and use securities customer funds without advising its customers that securities had not been purchased for their accounts. Certain of these practices had been criticized by examiners during previous examinations.

An Agreement was executed with the bank's board of directors, identifying violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Regulation D. The Agreement required the bank to: (1) cease issuing safekeeping receipts in any securities transactions where the bank sells a security to the account of a customer until the security purchased is delivered by the bank, (2) notify any securities customer, in writing, not later than the settlement date, of the existence of a due bill for that account arising from the transaction, (3) in all transactions involving securities sold by the bank to a customer, make a diligent, good-faith effort to deliver that security to the account of the customer by the date of settlement, or, to notify the customer of the existence of a due bill; (4) for all due bills arising out of securities transactions between the bank and its customers, maintain adequate collateral or reserves in compliance with Regulation D, and (5) within 30 days of the execution of the Formal Agreement, adopt and implement written policies, practices, and procedures designed to ensure the bank's full compliance with the Agreement.

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II. *Mergers consummated involving a single operating bank*

* Notices of these mergers were received after the deadline for Volume 3, November 2.

III. Merger approved but in litigation

I. Mergers consummated involving two or more operating banks.

BANK ONE, COLUMBUS, NATIONAL ASSOCIATION,
Columbus, Ohio, and Bank One, Circleville, National Association, Circleville, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Bank One, Circleville, National Association, Circleville, Ohio (118), with	$ 58,893,000	3	
and Bank One, Columbus, National Association, Columbus, Ohio (7621), which had	1,771,449,000	42	
merged April 1, 1984, under charter and title of the latter. The merged bank at date of merger had	1,830,342,000		45

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BANK ONE OF EASTERN OHIO, NATIONAL ASSOCIATION,
Youngstown, Ohio, and The First National Bank of East Liverpool, East Liverpool, Ohio

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of East Liverpool, East Liverpool, Ohio (2146), with	$ 79,432,000	3	
and Bank One of Eastern Ohio, National Association, Youngstown, Ohio (13586), which had	737,085,000	38	
merged April 1, 1984, under charter and title of the latter. The merged bank at date of merger had	816,517,000		41

COMPTROLLER'S DECISION

On December 6, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The First National Bank of East Liverpool, East Liverpool, Ohio (FNB), into Bank One of Eastern Ohio, National Association, Youngstown, Ohio (Eastern) This application is based on an agreement finalized between the proponents on September 15, 1983.

As of September 30, 1983, Eastern had total deposits of $574 million and operated 39 offices in Belmont, Columbiana, Harrison, Jefferson, Mahoning, and Trumbull counties. It is noted that Eastern also has on file with this Office an application to acquire The Union Savings & Trust Co., Warren, Ohio, which has total deposits of $229 million and operates 10 offices in Trumbull County. Eastern is a wholly owned subsidiary of Banc One Corporation (Banc One), a registered bank holding company with 25 subsidiary banks operating 314 offices in the State of Ohio At September 30, 1983, Banc One had consolidated deposits of $5 6 billion

As of the same date, FNB, and independent bank, had total deposits of $65 million and operated three offices in southeast Columbiana County.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the southeast corner of Columbiana County (consisting of the Townships of Franklin, Wayne, Madison, St Clair, Washington, Yellow Creek, Liverpool and Wellsville) where FNB derives more than 90 percent of its deposits Eastern's closest office is 11 miles distant and most of its offices are at least 25 miles from East Liverpool Eastern obtains a nominal amount of deposits from the relevant market Banc One does not have any other subsidiary banks operating in this market nor does The Union Savings & Trust Co operate in this market Consummation of this proposal will merely substitute one competitor in the market with another and enable Banc One to enter a market where it currently does not compete

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. We find the financial and managerial resources of Eastern and FNB to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act 12 USC 1828(c) and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
February 17, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FLAGSHIP NATIONAL BANK OF INDIAN RIVER COUNTY, Vero Beach, Fla., and Sun Bank/Indian River, National Association, Vero Beach, Fla.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Flagship National Bank of Indian River County, Vero Beach, Fla. (17141), with	$ 9,505,000	3	
and Sun Bank/Indian River, National Association, Vero Beach, Fla. (17528), which had	19,317,000	1	
merged April 1, 1984, under charter and title of the latter. The merged bank at date of merger had			4

COMPTROLLER'S DECISION

Sun Bank/Indian River, National Association and Flagship National Bank of Indian River County are majority-owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
February 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

*Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

PATRIOT BANK/BROOKLINE TRUST COMPANY,
Brookline, Mass., and Patriot Bank Harbor National, Boston, Mass.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Patriot Bank Brookline Trust Company, Brookline, Mass., with	$403,230,000	12	
and Patriot Bank Harbor National, Boston, Mass. (15483), which had	195,320,000	3	
merged April 1, 1984, under charter of the latter and with the title of "Patriot Bank Brookline Trust National Association." The merged bank at date of merger had	553,850,000		15

COMPTROLLER'S DECISION

Patriot Bank/Harbor National and Patriot Bank/Brookline Trust Company are majority-owned and controlled by Patriot Bancorporation, Boston, Mass., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.

January 25, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SOUTHEAST BANK, NATIONAL ASSOCIATION,
Miami, Fla., and Southeast Bank at Bartow, National Association, Bartow, Fla., and Southeast Bank of Belle Glade, National Association, Belle Glade, Fla., and Southeast Bank of the Florida Keys, National Association, Key West, Fla., and Southeast Bank of Lee County, National Association, Cape Coral, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Southeast Bank at Bartow, National Association, Bartow, Fla. (13389), with	$ 44,398,695	2	
Southeast Bank of Belle Glade, National Association, Belle Glade, Fla. (14454), with	23,869,532	1	
Southeast Bank of Lee County, National Association, Cape Coral, Fla. (16266), with	57,868,309	3	
Southeast Bank of the Florida Keys, National Association, Key West, Fla. (4672), with	48,975,177	3	
and Southeast Bank, National Association, Miami, Fla. (15638), which had	8,365,154,585	153	
merged April 1, 1984, under charter and title of the latter bank. The merged bank at date of merger had	8,472,025,892		162

COMPTROLLER'S DECISION

Southeast Bank at Bartow, National Association; Southeast Bank of Belle Glade, National Association, Southeast Bank of the Florida Keys, National Association; Southeast Bank of Lee County, National Association, and Southeast Bank, National Association are majority-owned and controlled by Southeast Banking Corporation, Miami, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks'

records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
February 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BARCLAYS BANK OF NEW YORK, NATIONAL ASSOCIATION, New York, N.Y., and One Branch of Chemical Bank, New York, N.Y.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Chemical Bank, New York, N.Y., with	$51,453,794,000	1	
was purchased April 2, 1984, by Barclays Bank of New York, National Association, New York, N.Y. (15641), which had	1,508,623,000	89	
After the purchase was effected, the receiving bank had			90

COMPTROLLER'S DECISION

An application was filed on January 24, 1984 with the Office of the Comptroller of the Currency by Barclays Bank of New York, National Association, New York, N.Y. (Barclays), to purchase certain of the assets and assume certain of the liabilities of the Wallkill branch office of Chemical Bank, New York, N.Y. (Chemical). The application is based upon a written agreement executed by the banks on December 15, 1983.

As of September 30, 1983, Barclays held total deposits of $1.2 billion and operated 89 offices in 11 New York counties. Barclays ia a majority owned subsidiary of Barclays Bank International Limited, a bank holding company with headquarters in London, England. As of December 31, 1982, Chemical's Wallkill office held deposits of $9.2 million.

The relevant geographic market for this proposal is Orange County, the area from which Chemical's Wallkill office derives the majority of its deposits. Barclay's two offices within this market hold total deposits of $4[illegible] million. Of the 15 commercial banks and 19 thrift institutions in Orange County, it has the smallest market share, [illegible] percent. Chemical's Wallkill office holds [illegible] percent of total market deposits. Upon consummation, Barclays would be the eleventh largest commercial bank and the 23rd largest financial institution in the market. Although consummation of this transaction will reduce the number of competitors in the market by one, ample alternative banking organizations, including subsidiary banks of several of the state's largest bank holding companies, will still remain in this competitive market. This Office therefore finds that the proposed merger would not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of both banks to be satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served. In this respect, it is noted that Chemical had decided to close the Wallkill office, its only office in Orange County.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

*[illegible]

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.
February 28, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST COUNTY BANK,
Bloomfield, Mo., and Mercantile First County Bank, National Association, Bloomfield, Mo.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
First County Bank, Bloomfield, Mo., with	$37,260,000	2	
and Mercantile First County Bank, National Association, Bloomfield, Mo. (18164), which had	60,000	0	
merged April 2, 1984, under charter and title of the latter. The merged bank at date of merger had			2

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

*Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the First County Bank would become a subsidiary of Mercantile Bancorporation Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Mercantile Bancorporation Inc., it would have no effect on competition.

* * *

BURLINGTON COUNTY TRUST COMPANY,
Moorestown, N.J., and Fidelity Union Bank, National Association, Morristown, N.J.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Burlington County Trust Company, Morrestown, N.J., with	$298,792,000	13	
and Fidelity Union Bank, National Association, Morristown, N.J. (16172), which had	47,673,000	3	
merged April 5, 1984, under the charter and title of the latter, with headquarters in Newark. The merged bank at date of merger had			16

COMPTROLLER'S DECISION

Burlington County Trust Company, Moorestown, N.J. and Fidelity Union Bank, National Association, Morristown, N.J. are majority owned and controlled by Fidelity Union Bancorporation, Newark, N.J., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
February 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIDELITY UNION BANK,
Newark, N.J., and Fidelity Union Bank, National Association, Morristown, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Fidelity Union Bank, Newark, N.J., with	$3,354,644,000	99	
and Fidelity Union Bank, National Association, Morristown, N.J. (16172), which had	47,673,000	16	
merged April 5, 1984, under charter and title of the latter, with headquarters in Newark. The merged bank at date of merger had			115

COMPTROLLER'S DECISION

Fidelity Union Bank, Newark, New Jersey and Fidelity Union Bank, National Association, Morristown, New Jersey are majority-owned and controlled by Fidelity Union Bancorporation, Newark, New Jersey, a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
February 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL STATE BANK-EDISON,
Woodbridge Township, N.J., and Fidelity Union Bank, National Association, Newark, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Fidelity Union Bank, National Association, Newark, N.J. (16172), with	$ 47,673,000	115	
and First National State Bank-Edison, Woodbridge Township, N.J. (15845), which had	484,410,000	30	
merged April 5, 1984, under charter of the latter and with the title "Fidelity Union Bank First National State," with headquarters in Newark. The merged bank at date of merger had			145

COMPTROLLER'S DECISION

On November [illegible], 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Fidelity Union Bank, National Association, Newark, N.J. (Fidelity) into First National State Bank Edison, Woodbridge Township, N.J. (First National). This application is based on an agreement finalized between Fidelity and First National on August 16, 1983.

[illegible]

As of June 30, 1983, Fidelity, a wholly owned subsidiary of Fidelity Union Bancorporation, Newark, N.J. (Bancorporation) had total deposits of $3 billion and operated 114 offices throughout the state. Fidelity will be the resulting bank from the merger of Fidelity Union Bank, National Association, Morristown, New Jersey, Burlington County Trust Company, Moorestown, New Jersey and Fidelity Union Bank, Newark, N.J. The three banks are wholly owned by Bancorporation.

On the same date, First National had total deposits of $438 million and operated 30 offices in Mercer, Middlesex, Monmouth and Ocean counties. First National is a wholly owned subsidiary of First National State Bancorporation, Newark, N.J. (FNSB), a multibank holding company with total deposits of $3.8 billion.

Proponents have addressed competition utilizing relevant geographic markets as defined by the Federal Reserve Board, and also using individual counties as markets.

Many New Jersey thrift institutions have established themselves as full competitors of commercial banks due to their growing involvement in commercial lending. For this reason the competitive analysis included thrift institutions as competitors in determining market share.

Assuming *arguendo* that the appropriate relevant geographic market is properly defined by the Federal Reserve Board's geographic markets, the proponents compete directly in the Asbury Park, Freehold, Greater Newark, Hackettstown, Lakewood/Toms River, Morristown, New Brunswick, New York City, Newton, Paterson, Philadelphia-Camden, Plainfield and Trenton banking markets. In these markets the resulting bank and its affiliates will control 18 percent or less of deposits held by commercial banks and thrift institutions. These markets are all highly competitive, with numerous banking alternatives and are unconcentrated.

Alternatively, assuming *arguendo*, that the appropriate relevant geographic market is properly defined by the county delineation, in Bergen, Hudson, Mercer, Middlesex, Monmouth, Morris, Ocean Sussex, Union and Warren counties, the resulting bank and its affiliates will control 12 percent or less of the deposits held by commercial banks and thrift institutions. In Burlington County the resulting bank and its affiliates will rank first with 20 percent of the market's deposits and in Passaic County the resulting bank and its affiliates will also rank first with a market share of 17 percent. All these markets are unconcentrated and characterized by numerous banking alternatives.

In Essex County, First National and other FNSB subsidiaries rank second in deposit market share with 14 percent. The Howard Savings Bank ranks first with 18 percent. Fidelity ranks fifth with an 8 percent market share. Proponents are in the process of arranging for the sale of nine branches with deposits in excess of $125 million. After the sale of the branches is complete, the resulting bank will rank first in market share with 20 percent of total deposits, however, over forty other financial institutions will continue to have offices in the County, among them some of the State's largest.

Based on the large number of commercial banks and thrift institutions serving the areas where the proponents compete directly, and the fact that the New Jersey thrift institutions have established themselves as strong competitors for the commercial banking business, the planned merger, using either relevant geographic market definition, will not have a significantly adverse effect on competition.

The Bank Merger Act requires the Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

February 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

UNION PLANTERS NATIONAL BANK,
Memphis, Tenn., and Union Planters Bank of Nashville, Nashville, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Union Planters Bank of Nashville, Nashville, Tenn., with	$ 19,132,000	1	
was purchased April 7, 1984, by Union Planters National Bank, Memphis, Tenn. (13349), which had	1,834,718,000	54	
After the purchase was effected, the receiving bank had			55

COMPTROLLER'S DECISION

Union Planters National Bank and Union Planters Bank of Nashville are majority owned and controlled by Union Planters Corporation, Memphis, Tenn., a registered bank holding company. This proposed purchase of assets and assumption of liabilities is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the purchase.

March 8, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

AMSOUTH BANK, NATIONAL ASSOCIATION,
Birmingham, Ala., and The Citizens Bank of Wetumpka, Alabama, Wetumpka, Ala.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Citizens Bank of Wetumpka, Alabama, Wetumpka, Ala., with	$ 68,758,000	4	
and AmSouth Bank, National Association, Birmingham, Ala. (3185), which had	3,880,835,000	109	
merged April 13, 1984, under charter and title of the latter. The merged bank at date of merger had			113

COMPTROLLER'S DECISION

On October 24, 1983, application was made to the Office of the Comptroller of the Currency for prior written authorization to merge The Citizens Bank of Wetumpka, Alabama, Wetumpka, Ala. (Citizens) into AmSouth Bank, National Association, Birmingham, Ala. (AmSouth), under the charter and title of the latter. The application was based on an agreement finalized between Citizens and AmSouth on September 15, 1983.

As of June 30, 1983, Citizens had approximately $36 million in deposits and $40 million in total assets. The bank operates a main office and three branches in Elmore County, Ala. As of the same date, AmSouth had approximately $2.3 billion in deposits and $2.5 billion in total assets. AmSouth is a wholly owned subsidiary of AmSouth Bancorporation, an Alabama bank holding company headquartered in Birmingham.

[illegible]

Citizens and AmSouth operate in service areas which are part of the Montgomery Standard Metropolitan Statistical Area (SMSA). The Montgomery SMSA is defined as Autauga, Elmore, and Montgomery counties. Citizens' relevant geographic market and the relevant geographic market for this proposal consists of Elmore County in its entirety. AmSouth's market in the Montgomery SMSA consists of Montgomery County and portions of Autauga County. The markets of the two banks are contiguous.

An analysis of deposit and loan accounts conducted by the applicant banks indicates that there is no overlap in their primary service areas, *i.e.*, that area from which the banks derive at least 75 percent of total deposits.

The proposed merger will provide for the combination of two banks with separate and distinct primary service areas. Consummation will result in the replacement of one competitor in the relevant geographic market with another and will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved February 14, 1984.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BARNETT BANK OF CENTRAL FLORIDA, NATIONAL ASSOCIATION, Winter Park, Fla., and Barnett Bank of Kissimmee, Kissimmee, Fla.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Barnett Bank of Kissimmee, Kissimmee, Fla., with	$ 37,961,789	4	
and Barnett Bank of Central Florida, National Association, Winter Park, Fla. (14767), which had	1,001,190,688	22	
consolidated April 13, 1984, under charter and title of the latter, with headquarters in Orlando. The consolidated bank at date of consolidation had	1,052,722,248		26

COMPTROLLER'S DECISION

Barnett Bank of Central Florida, National Association and Flagship Bank of Kissimmee are majority-owned and controlled by Barnett Banks of Florida, Inc., Jacksonville, Fla., a registered bank holding company. This proposed consolidation is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

[illegible] written approval required by the Bank Merger Act (12 USC 1828(c)) for the applicants to proceed with the consolidation
January 11, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

SECURITY NATIONAL BANK OF LUBBOCK, Lubbock, Tex., and City Bank, National Association, Lubbock, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Security National Bank of Lubbock, Lubbock, Tex. (15209), with	$57,623,000	1	
was purchased April 13, 1984, by City Bank, National Association, Lubbock, Tex. (18191), which had	2,250,000	0	
After the purchase was effected the receiving bank had			1

COMPTROLLER'S DECISION

On April 13, 1984, application was made to the Comptroller of the Currency to grant prior written approval for City Bank, National Association, Lubbock, Tex. (Assuming Bank), to purchase certain assets and assume certain liabilities of Security National Bank of Lubbock, Lubbock, Tex. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Security National Bank of Lubbock. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Security National Bank of Lubbock was chartered as a national bank on November 29, 1963, and at the close of business on April 1, 1984, had total deposits of approximately $46 million. The bank was declared insolvent by the Comptroller of the Currency on April 13, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Security National Bank of Lubbock.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction [illegible] would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

[illegible]

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Lubbock community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Lubbock community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Security National Bank of Lubbock, as set forth in the agreement, is approved. The Comptroller further finds

that the failure of Security National Bank of Lubbock requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, the Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Submission of a capital plan acceptable to this Office within ninety (90) days of the date of this approval. The capital plan must be designed to permit the bank to achieve a ratio of primary capital to total assets that is consistent with the OCC's capital adequacy guidelines not later than two years after the date of this approval.

3. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).

April 13, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

CENTRAL FIDELITY BANK, NATIONAL ASSOCIATION, SOUTHWEST, Abingdon, Va., and The National Bank of Chilhowie, Chilhowie, Va.

Names of banks and type of transaction	*Total assets**	*Banking offices: In operation*	*Banking offices: To be operated*
The National Bank of Chilhowie, Chilhowie, Va. (8875), with	$30,256,000	5	
and Central Fidelity Bank, National Association, Southwest, Abingdon, Va. (14223), which had	92,374,000	3	
merged April 16, 1984, under charter and title of the latter. The merged bank at date of merger had			8

COMPTROLLER'S DECISION

On December 20, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The National Bank of Chilhowie, Chilhowie, Va. (NBC), into Central Fidelity Bank, National Association, Southwest, Abingdon, Va. (Central Fidelity). This application is based on an agreement finalized between NBC and Central Fidelity on November 2, 1983.

As of September 30, 1983, NBC held total deposits of $26 million and operated four offices in the town of Chilhowie, Smyth County. On the same date, Central Fidelity had total deposits of $68 million and operated three banking offices in the town of Abingdon, Washington County. Central Fidelity is a wholly owned subsidiary of Central Fidelity Banks, Inc., Richmond, Va., a bank holding company, which operates a total of 131 banking offices throughout Virginia.

The relevant geographic market for this proposal is the town of Chilhowie and its environs, the area in which NBC operates its offices and derives over 75 percent of its deposits. Central Fidelity derives only a nominal volume of its deposits from the relevant market and its nearest office is 18 miles from NBC's. The proponents do not currently compete directly; therefore, consummation of this proposal will merely replace one competitor in the market with another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks independently are

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

[illegible] are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 12, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK,
Willows, Calif., and Four Branches of Lloyds Bank California, Los Angeles, Calif.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Four Branches of Lloyds Bank California, Los Angeles, Calif., with	$2,654,372,000	4	
were purchased April 16, 1984, by First National Bank, Willows, Calif. (9713), which had	20,346,000	1	
After the purchase was effected, the receiving bank had			5

COMPTROLLER'S DECISION

On November 29, 1983, application was made to the Office of the Comptroller of the Currency by First National Bank, Willows, Calif. (FNB), to purchase the assets and assume the liabilities of the Orland, Greenville, Oroville and Marysville branches of Lloyds Bank California, Los Angeles, Calif. (Lloyds Bank). The application is based upon an agreement finalized between the two banks on August 23, 1983.

FNB operates a single banking office in Willows, Calif. As of September 30, 1983, the bank had approximately $17 million in total deposits and $19 million in total assets. FNB is a wholly owned subsidiary of Pacific National Bancshares, a newly formed one bank holding company. As of the same date, Lloyds Bank had approximately $2,160 million in total deposits and $2,529 million in total assets. Through an extensive branch network, the bank operates a commercial banking business throughout the State of California. Lloyds Bank is a wholly owned subsidiary of Lloyds First Western Corporation.

FNB's service area consists of the Town of Willows. The service areas of the four target branches consist of the towns of Orland, Greenville, Oroville and Marysville. In total, they comprise the relevant geographic market for the proposal. FNB is separated by a distance of 20 miles from the closest target branch located in Orland. A review of the area in question reveals sparse overall population with the greatest concentrations of people inhabiting small towns which are separated by relatively large distances. As such, the service areas of FNB and the Orland, Greenville, Oroville, and Marysville branches of Lloyds Bank are separate and distinct. Accordingly, consummation of the proposal will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs

* [illegible]

of their communities, including low and moderate income neighborhoods, are less than satisfactory

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved subject to the conditions noted in a separate communication to FNB
March 14 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

AMERICAN FLETCHER NATIONAL BANK AND TRUST COMPANY, Indianapolis, Ind., and The Shelby National Bank of Shelbyville, Shelbyville, Ind.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Shelby National Bank of Shelbyville, Shelbyville, Ind. (7946), with	$ 67,778,000	6	
was purchased April 19, 1984, by American Fletcher National Bank and Trust Company, Indianapolis, Ind. (13759), which had	3,256,073,000	63	
After the purchase was effected the receiving bank had			69

COMPTROLLER'S DECISION

On April 19, 1984, application was made to the Comptroller of the Currency to grant prior written approval for American Fletcher National Bank and Trust Company, Indianapolis, Ind (Assuming Bank), to purchase certain assets and assume certain liabilities of The Shelby National Bank of Shelbyville, Shelbyville, Ind. (Shelby). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Shelby. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Shelby was chartered as a national bank on October 11, 1905, and at the close of business on April 16, 1984, had total deposits of approximately $61 million. The bank was declared insolvent by the Comptroller of the Currency on April 19, 1984, and was placed in the hands of the FDIC as receiver The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Shelby.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Shelbyville community The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Shelbyville community

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly out-

* Asset figures are from the March 31, 1984 report of condition. Information as of date of consummation was not available at press time

weighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Shelby, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Shelby requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is authorized to operate Shelby's former offices as branches.
April 19, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

THE SECURITY NATIONAL BANK AND TRUST CO., Springfield, Ohio, and Two Branches of Society National Bank of the Miami Valley, Springfield, Ohio

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Two Branches of Society National Bank of the Miami Valley, Springfield, Ohio (2932), with	$237,847,000	2	
were purchased April 20, 1984, by The Security National Bank and Trust Co., Springfield, Ohio (6594), which had	213,884,000	9	
After the purchase was effected the receiving bank had			11

COMPTROLLER'S DECISION

On January 16, 1984, an application was filed with the Office of the Comptroller of the Currency by The Security National Bank and Trust Co., Springfield, Ohio (Security), to offices, located in Xenia, Ohio, of Society National Bank of the Miami Valley, Springfield, Ohio (Society). This application is based upon a written agreement executed by the proponents on December 27, 1983.

Security is an independent bank which held total deposits of $168 million as of September 30, 1983. It operated nine offices in Clark County. As of the same date, Society's two branches in Xenia, Green County, held total deposits of $43 million.

The proponents currently do not compete directly in the relevant geographic market and therefore consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is Xenia and the surrounding townships where the two Society branches acquire more than 80 percent of their deposits. Security's closest office is approximately 15 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying banks are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act (12 USC 1828(c)), and find that it does not significantly lessen competition in the relevant market.

* [illegible]

Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 13, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

OMAHA NATIONAL BANK,
Omaha, Neb., and Blair Bank, Inc., Blair, Neb.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
Blair Bank, Inc., Blair, Neb., with	$ 20,309,000	1	
was purchased April 23, 1984, by Omaha National Bank, Omaha, Neb. (1633), which had	886,941,000	5	
After the purchase was effected, the receiving bank had			6

COMPTROLLER'S DECISION

On April 23, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Omaha National Bank and Trust Company, Omaha, Nebraska (Assuming Bank), to purchase certain assets and assume certain liabilities of Blair Bank, Inc. (Blair). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Department of Banking and Finance of the State of Nebraska (Nebraska) the latter having taken possession of Blair. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Blair was chartered as a state bank on September 1, 1907, and at the close of business on April 18, 1984, had total deposits of approximately $16 million. The bank was declared insolvent by Nebraska on April 23, 1984. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between Nebraska and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Blair.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendent upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Blair community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Blair community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Blair as set forth in the agreement, is approved. The Comptroller further finds that the failure of Blair requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services

* Asset figures are from the December 31, 1983, report of condition for Blair Bank, Inc., and from the March 31, 1984, report for Omaha National Bank. Information as of date of consummation was not available at press time.

the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

Assuming Bank is authorized to operate Blair's former office as a branch.

April 23, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

THE MID-CITY NATIONAL BANK OF CHICAGO,
Chicago, Ill., and United of America Bank, Chicago, Ill.

Name of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
United of America Bank, Chicago, Ill., with	$ 38,145,000	1	
was purchased April 27, 1984, by The Mid-City National Bank of Chicago, Chicago, Ill. (13684), which had	236,344,000	1	
After the purchase was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On April 27, 1984, application was made to the Comptroller of the Currency to grant prior written approval for The Mid-City National Bank of Chicago, Chicago, Ill. (Assuming Bank), to purchase certain assets and act as transfer agent for the insured deposits of United of America Bank, Chicago, Ill. (United). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the FDIC, the latter having been appointed receiver of United. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the transaction immediately.

United was chartered as a state bank in 1961, and at the close of business on April 24, 1984, had total deposits of approximately $34 million. The bank was declared insolvent by the Commissioner of Banks and Trust Companies of the State of Illinois on April 26, 1984. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between FDIC and the Assuming Bank by which the latter would purchase certain assets and act as transfer agent for the insured deposits of United.

Under the Bank Merger Act (12 USC 1828(c)), the Comptroller cannot approve a transaction which would have certain prescribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to purchase certain assets and act as transfer agent for the insured deposits of United, as set forth in the agreement, is

* [illegible]

approved. The Comptroller further finds that the failure of United requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies and authorizes the transaction to be consummated immediately.

Assuming Bank is authorized to operate United's former office as a branch.
April 27, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

KEY BANK OF SOUTHEASTERN NEW YORK NATIONAL ASSOCIATION, Chester, N.Y. and The First National Bank of Red Hook, Red Hook, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
The First National Bank of Red Hook, Red Hook, N.Y. (752), with	$ 52,741,000	2	
and Key Bank of Southeastern New York National Association, Chester, N.Y. (1349), which had	321,543,000	27	
merged April 28, 1984, under charter and title of the latter. The merged bank at date of merger had			29

COMPTROLLER'S DECISION

An application was filed on January 13, 1984, with the Office of the Comptroller of the Currency to merge The First National Bank of Red Hook, Red Hook, N.Y. (First), into Key Bank of Southeastern New York National Association, Chester, N.Y. (Key Bank). The application is based upon a written agreement executed by the banks on November 18, 1983.

As of September 30, 1983, Key Bank held total deposits of $269 million and operated 27 offices in four counties in southeastern New York. Key Bank is majority owned by Key Banks Inc., a registered bank holding company with deposits of $2.7 billion. Its six subsidiary banks operate 203 offices in 37 counties in New York. Additionally, another national bank subsidiary of Key Banks Inc. has an application pending with this Office to acquire 19 offices in western New York.

As of the same date, First, an independent bank, held total deposits of $48 million and operated two offices in northern Dutchess County.

The proponents currently do not compete directly in the relevant geographic market and therefore consummation of the proposal will not have a significant effect on competition in the market.

The relevant geographic market for this proposal is the northern half of Dutchess County and the southern half of Columbia County where First derives approximately 90 percent of its deposits. Key Bank obtains less than 1 percent of its deposits from this market and its closest office is 10 miles distant. None of the holding company's other subsidiary banks is present in this market. Accordingly, consummation of this proposal will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low- and moderate-income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 27, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, Hartford, Conn., and Two Branches of Burritt InterFinancial Bancorporation, New Britain, Conn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Two Branches of Burritt InterFinancial Bancorporation, New Britain, Conn., with	$ 400,609,000	2	
were purchased April 30, 1984, by The Connecticut Bank and Trust Company, National Association, Hartford, Conn. (4), which had	5,785,812,000	123	
After the purchase was effected the receiving bank had			125

COMPTROLLER'S DECISION

An application was filed on February 22, 1984, with the Office of the Comptroller of the Currency, by The Connecticut Bank and Trust Company, National Association, Hartford, Conn. (CBT), to purchase two offices of Burritt InterFinancial Bancorporation, New Britain, Conn (Burritt). The application is based upon a written agreement executed by the banks on November 1, 1983.

As of December 31, 1983, CBT held total deposits of $4.5 billion and operated 144 offices throughout the state of Connecticut. CBT is the principal subsidiary of CBT Corporation, the largest commercial banking organization in Connecticut.

The two Burritt offices to be acquired, located in Hebron and Simsburg, held total deposits of $22 million as of December 31, 1983.

There are two separate geographic markets for this proposal: the town of Hebron and the town of Simsburg. Within the town of Hebron, there are three financial institutions, one commercial bank and two savings banks. Burritt's Hebron office has deposits approximating $10 million and ranks as the second largest financial institution in the market. Inasmuch as CBT does not have any offices in the market, consummation of the proposed acquisition of the Hebron office will merely substitute one competitor in the market for another.

Within the town of Simsburg, there are one commercial bank and five savings banks holding total deposits of $131 million. Burritt's Simsburg office, holding deposits of $12 million, is the second smallest financial institution in Simsburg. CBT does not have any offices in Simsburg and is prevented from establishing *de novo* offices in Simsburg due to the home office protection provision of the Connecticut banking statute. Accordingly, consummation of the proposed acquisition of the Simsburg office will merely substitute one competitor in the market for another.

The Bank Merger Act requires this Office to consider ". . .the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market.

* [illegible]

Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved
March 30, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

THE FIRST JERSEY NATIONAL BANK/SOUTH,
Manahawkin, N.J., and The First Jersey National Bank/Delaware Valley, Turnersville, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First Jersey National Bank/Delaware Valley, Turnersville, N.J. (17384), with	$ 45,899,000	3	
and The First Jersey National Bank/South, Manahawkin, N.J. (16937), which had	668,364,000	42	
merged April 30, 1984, under charter and title of the latter. The merged bank at date of merger had			45

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

* Asset figures are from the March 31, 1984, report of condition Information as of date of consummation was not available at press time

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FIRST NATIONAL BANK OF MARYLAND,
Baltimore, Md., and Hampstead Bank of Carroll County, Maryland, Hampstead, Md.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Hampstead Bank of Carroll County, Maryland, Hampstead, Md., with	$ 42,716,000	2	
and The First National Bank of Maryland, Baltimore, Md. (1413), which had	3,410,700,000	127	
merged April 30, 1984, under charter and title of the latter. The merged bank at date of merger had			129

COMPTROLLER'S DECISION

On January 10, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Hampstead Bank of Carroll County, Maryland, Hampstead, Md. (Hampstead Bank), into The First National Bank of Maryland, Baltimore, Md (First). This application is based on an agreement finalized between the banks on November 16, 1983

As of September 30, 1983, First had total deposits of $2.5 billion and operated 146 offices throughout the state of Maryland. First is the sole full service bank subsidiary of First Maryland Bancorp, majority owned by Allied Irish Banks Limited, Dublin, Ireland

As of the same date, Hampstead Bank, an independent bank operating two offices in Hampstead, had total deposits of $39 million

The proponents do not currently compete directly and therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the communities of Hampstead, Manchester and Upperco where Hampstead Bank derives the bulk of its deposits. First derives less than $2 million of deposits (.1 percent of its total deposits)

* Asset figures are from the March 31, 1984, report of condition Information as of date of consummation was not available at press time

from the market and its closest office is 8 miles distant Accordingly, consummation of the proposal will merely substitute one competitor in the market for another

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served The financial and managerial resources of both banks are satisfactory The future prospects of the proponent banks, individually and combined, are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market Other factors considered in evaluating this proposal are satisfactory Accordingly, the application is approved

March 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST PROFESSIONAL BANK, NATIONAL ASSOCIATION,
Santa Monica, Calif., and One Branch of Redwood Bank, San Francisco, Calif.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
One Branch of Redwood Bank, San Francisco Calif., with	$136,075,000	1	
was purchased April 30, 1984, by First Professional Bank, National Association, Santa Monica, Calif (17423), which had	48,311,000	1	
After the purchase was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On November 10, 1983, application was made to the Office of the Comptroller of the Currency by First Professional Bank, National Association, Santa Monica, Calif (First Professional), to purchase the assets and assume the liabilities of the Beverly Hills branch of Redwood Bank, Beverly Hills, Calif. (Redwood Bank) The application is based upon an agreement finalized between the two banks on July 12, 1983

First Professional was chartered on August 26, 1982 The bank operates a single banking office in Santa Monica, Calif. As of September 30, 1983 First Professional had approximately $31 million in total deposits and $36 million in total assets Redwood Bank, headquartered in San Francisco, operates six banking offices in the State of California. All but the Beverly Hills office are located in the San Francisco area. As of [illegible] 1983, Redwood Bank had approximately [illegible] in total deposits and $153 million in total [illegible]

[illegible]

First Professional serves the communities of Santa Monica, Brentwood and West Los Angeles. The Beverly Hills Office of Redwood Bank serves the community of Beverly Hills, and this market represents the relevant geographic market for the proposal. First Professional and the Beverly Hills Office of Redwood Bank are separated by a distance of approximately 8 miles. A review of the area in question reveals that the markets served by First Professional and the Beverly Hills Office of Redwood Bank are separate and distinct Accordingly, consummation of the proposal will not be significantly adverse to competition

The Bank Merger Act requires this Office to consider . . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers

A review of the record of this application and other information available to this Office as a result of its

regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved subject to the conditions noted in a separate communication to First Professional.

March 21, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

BANK ONE OF EASTERN OHIO, NATIONAL ASSOCIATION, Youngstown, Ohio and The Union Savings & Trust Co., Warren, Ohio

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Union Savings & Trust Co., Warren, Ohio, with	$290,981,000	10	
and Bank One of Eastern Ohio, National Association, Youngstown, Ohio (13586), which had	737,085,000	42	
merged May 1, 1984, under charter and title of the latter. The merged bank at date of merger had			52

COMPTROLLER'S DECISION

On November 23, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Union Savings & Trust Co., Warren, Ohio (Union), into Bank One of Eastern Ohio, National Association, Youngstown, Ohio (Eastern). This application is based on an agreement finalized between the proponents on October 28, 1983.

As of September 30, 1983, Union, an independent bank, had total deposits of $244 million and operated five offices in Warren, two in Howland Township and one in Niles, Liberty Township and Newton Falls; all 10 offices are located in Trumbull County.

As of the same date, Eastern had total deposits of $574 million and operated 39 offices in the following counties: Belmont (5), Columbiana (7), Harrison (3), Jefferson (10), Mahoning (9) and Trumbull (5). It is noted that Eastern also has on file with this Office an application to acquire The First National Bank of East Liverpool, East Liverpool, Ohio, which has total deposits of $65 million and operates three offices in southeastern Columbiana County. Eastern is a wholly owned subsidiary of Banc One Corporation (Banc One), a registered bank holding company with 25 subsidiary banks operating 314 offices in 46 Ohio counties. As of September 30, 1983, Banc One was the largest commercial banking organization in Ohio with consolidated deposits of $5.6 billion.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

Both Eastern and Union operate and compete in the Youngstown-Warren Metropolitan Statistical Area (Youngstown Warren MSA), comprised of Mahoning and Trumbull counties.

This Office finds that there is sufficient economic integration to treat Youngstown and Warren as one market. Accordingly, the relevant geographic market for this proposal is the Youngstown-Warren MSA.

This Office finds that savings and loan associations (S&Ls) have developed into substantial competitors of commercial banks in the Youngstown-Warren market. Recent federal and state legislation has granted S&Ls broad asset and liability powers. As a result, they are now empowered to provide a cluster of products and services virtually identical to those provided by commercial banks, *e.g.*, they may accept commercial demand deposits, make consumer loans and make short term and unsecured commercial loans.

S&Ls hold more than 40 percent of all deposits held by depository institutions in the market. The largest financial institution, and two of the five largest, are S&Ls. Two S&Ls have changed their name to include the word "bank" and one has already hired a senior loan officer from a competing commercial bank. Although specific data are not available on the extent of consumer and commercial lending by S&Ls in the market and although the absolute outstandings in those loan categories is small compared to that of the commercial banks, it must be recognized that S&Ls have only had the ability to offer such services for a very short time.

in that time the S&Ls have been very aggressive and their involvement should continue to increase. Based on the above analysis, S&Ls in the Youngstown-Warren MSA are included as competitors in determining market share.

Within the Youngstown-Warren market there are 20 financial institutions holding total deposits of $3.3 billion. Eastern is the fourth largest institution with a 9.3 percent market share and Union is the sixth largest with a 6.9 percent market share. After consummation, the resulting bank would become the largest financial institution with a market share of 16.2 percent.[1]

The Herfindahl-Hirschman Index (HHI) computed on the basis of deposits held by commercial banks and S&Ls in the Youngstown-Warren MSA, is 902 before the proposed merger and 1030 after the proposed merger, an increase of 128. Such figures indicate that the market is either unconcentrated or, at most, moderately concentrated. Although the increase exceeds the clearly permissible range outlined in the Department of Justice merger guidelines, statistics on market share and concentration are never conclusive indicators of probable anticompetitive effects; at most they give rise to an inference which may be rebutted by nonstructural analysis of the relevant market. A nonstructural analysis of the Youngstown-Warren MSA shows that the proposed merger would not have a significantly adverse effect on competition.

After consummation of the proposed merger, there will still be 18 alternative financial institutions in the market. Among the remaining competitors are two of the state's six largest commercial banking organizations, each of which has total deposits exceeding all deposits in the market. Although each of these organizations has only a small percentage of the market's deposits, either could easily divert resources from outside the market and effectively foil any attempt to exercise market power. Given the relatively modest increase in the HHI (given the market's moderately concentrated designation), it is the opinion of this Office that the proposed merger would not substantially lessen competition in the Youngstown-Warren MSA.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of Eastern are satisfactory. However, the present condition of Union is less than satisfactory. After consummation, the resulting bank will be able to draw on the financial and managerial resources of Eastern and Banc One. Consequently, the future prospects of the resulting bank appear favorable, as do the expected effects of the proposed merger on the convenience and needs of the communities to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 30, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

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[1] The figures used in this opinion do not reflect the divestiture which Eastern has proposed. It is the view of this Office that such a divestiture is not necessary to render the proposed merger lawful under the Bank Merger Act. Accordingly, it has not been necessary to account for the effects of the proposed divestiture. Nevertheless, it is anticipated that such a divestiture would increase competition in the affected market.

BECKLEY NATIONAL BANK,
Beckley, W. Va., and Mountain National Bank, Beaver, W. Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Mountain National Bank, Beaver, W. Va. (16444), with	$ 18,620,000	1	
and Beckley National Bank, Beckley, W. Va. (10589), which had	180,625,000	1	
merged May 1, 1984, under charter and title of the latter. The merged bank at date of merger had			2

COMPTROLLER'S DECISION

On December 20, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Mountain National Bank, Beaver, W. Va. (Mountain), into Beckley National Bank, Beckley, W. Va. (BNB). This application is based on an agreement finalized between Mountain and BNB on November 18, 1983.

As of September 30, 1983, Mountain had total deposits of $16 million and operated its only office in Beaver, Raleigh County. On the same date BNB, a unit bank, had total deposits of $155 million and operated its only office in Beckley, Raleigh County. BNB is a wholly owned subsidiary of Southern Bancshares, Inc. (Southern), a one-bank holding company. Southern and Mountain are affiliated through common ownership (a majority of Mountain's shareholders are also shareholders of Southern) and interlocking directors.

The relevant geographic market for this proposal is Raleigh County where the proponents operate their only offices. BNB ranks second in deposit market share with 29 percent and Mountain ranks sixth with 3 percent. Although the proponents serve the same market, they are not competitors given their affiliation.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effect of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

FIRST TENNESSEE BANK N.A. MEMPHIS,
Memphis, Tenn., and First Tennessee Bank, Jonesboro, Tenn., and First Tennessee Bank, Morristown, Tenn., and First Tennessee Bank, Mosheim, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Tennessee Bank, Jonesboro, Tenn., with	$ 123,449,000	7	
First Tennessee Bank, Morristown, Tenn., with	59,319,000	4	
First Tennessee Bank, Mosheim, Tenn., with	26,865,000	3	
and First Tennessee Bank N.A. Memphis, Memphis, Tenn. (336), which had	2,530,827,000	39	
merged May 1, 1984, under charter of the latter and with the title of "First Tennessee Bank National Association Memphis." The merged bank at date of merger had			53

COMPTROLLER'S DECISION

First Tennessee Bank, Jackson, Tenn., First Tennessee Bank, Jonesboro, Tenn., First Tennessee Bank, Morristown, Tenn., First Tennessee Bank, Dyersburg, Tenn., First Tennessee Bank, Mosheim, Tenn., First Tennessee Bank, Gallatin, Tenn., First Tennessee Bank, Maryville, Tenn., Jefferson County Bank, Dandridge, Tenn., First Tennessee Bank N.A. Cookeville, Cookeville, Tenn., First Tennessee Bank N.A. Murfreesboro, Murfreesboro, Tenn., First Tennessee Bank N.A. Kingsport-Bristol, Kingsport, Tenn., First Tennessee Bank N.A. Nashville, Nashville, Tenn., First Tennessee Bank N.A. Chattanooga, Chattanooga, Tenn., First Tennessee Bank National Association Franklin, Franklin, Tenn., and First Tennessee Bank N.A. Memphis, Memphis, Tenn.,† are majority-owned and controlled by First Tennessee National Corporation, Memphis, Tenn., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
November 29, 1983

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.
† The mergers of these banks will consummate on different dates.

* * *

FIRST TENNESSEE BANK N.A. MEMPHIS,
Memphis, Tenn., and First Tennessee Bank, N.A., Kingsport, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Tennessee Bank, N.A., Kingsport, Tenn. (14657), with	$ 98,221,000	1	
and First Tennessee Bank, N.A., Memphis, Memphis, Tenn. (336), which had	2,530,827,000	61	
merged May 1, 1984, under charter and title of the latter. The merged bank at date of merger had			62

The Comptroller's Decision and Summary of Report by Attorney General can be found above.

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* * *

FLAGLER NATIONAL BANK OF THE PALM BEACHES,
West Palm Beach, Fla., and One Branch of Colonial Trust Company, National Association, Palm Beach, Fla

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
One Branch of Colonial Trust Company, National Association, Palm Beach, Fla. (16116), with . . was purchased May 1, 1984, by Flagler National Bank of the Palm Beaches, West Palm Beach,	$ 22,364,000	1	
Fla. (16409), which had . . .	153,076,000	8	
After the purchase was effected the receiving bank had . . .			9

COMPTROLLER'S DECISION

On February 2, 1984, application was made to the Office of the Comptroller of the Currency, for prior authorization for Flagler National Bank of the Palm Beaches, West Palm Beach, Fla. (Flagler), to purchase the assets and assume the liabilities of one branch of Colonial Trust Company, National Association, Palm Beach, Fla. (Colonial). This application is based on an agreement finalized between Colonial and Flagler on December 23, 1983.

As of November 30, 1983, Colonial's Boca Raton branch had total deposits of $14 million. On the same date, Flagler had total deposits of $129 million and operated eight offices in Palm Beach County.

The relevant geographic market for this proposal is the area of eastern Boca Raton immediately adjacent to the branch. Flagler operates no offices in the relevant market and derives a nominal amount of deposits from the area. Therefore, consummation of this proposal will merely replace one competitor in the market with another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 30, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the March 31, 1984, report of condition for the entire bank. Information as of date of consummation was not available at press time.

* * *

KANAWHA BANKING & TRUST COMPANY NATIONAL ASSOCIATION, Charleston, W. Va., and The Teays Valley National Bank, Scott Depot, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
The Teays Valley National Bank, Scott Depot, W. Va. (16132), with	$ 15,226,000	1	______
and Kanawha Banking & Trust Company National Association, Charleston, W. Va. (15882), which had	216,712,000	1	______
merged May 1, 1984, under charter and title of the latter. The merged bank at date of merger had		______	2

COMPTROLLER'S DECISION

On February 10, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Teays Valley National Bank, Scott Depot, W. Va. (Teays), into Kanawha Banking and Trust Company, National Association, Charleston, W. Va. (Kanawha). This application is based on an agreement finalized between Teays and Kanawha on January 17, 1984.

As of December 31, 1983, Teays had total deposits of $13 million and operated its only office in Scott Depot, Putnam County. On the same date, Kanawha had total deposits of $183 million and operated its only office in Charlestown, Kanawha County. Kanawha is a wholly owned subsidiary of Intermountain Bankshares, Inc., Charleston, W. Va. (Intermountain), a one-bank holding company. Intermountain and Teays are affiliated through common ownership (a majority of Teays' shareholders are also shareholders of Intermountain) and interlocking directors.

Since Intermountain and Teays are affiliated through common ownership and interlocking directors, the merger presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 29, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

SUN BANK/PALM BEACH COUNTY, NATIONAL ASSOCIATION,
Delray Beach, Fla., and Flagship National Bank of Palm Beach County, West Palm Beach, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Flagship National Bank of Palm Beach County, West Palm Beach, Fla. (15438), with	$145,649,000	9	
and Sun Bank Palm Beach County, National Association, Delray Beach, Fla. (14556), which had	319,065,000	13	
merged May 1, 1984, under charter and title of the latter bank. The merged bank at date of merger had			22

COMPTROLLER'S DECISION

Flagship National Bank of Palm Beach County and Sun Bank/Palm Beach County, National Association are majority owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
March 15, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SUN BANK/SOUTH FLORIDA, NATIONAL ASSOCIATION,
Fort Lauderdale, Fla., and Flagship National Bank of Broward County, Hollywood, Fla.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Flagship National Bank of Broward County, Hollywood, Fla. (14530), with	$179,685,000	8	
and Sun Bank/South Florida, National Association, Fort Lauderdale, Fla. (14732), which had	846,570,000	22	
merged May 1, 1984, under charter and title of the latter, with headquarters relocating to another Fort Lauderdale office. The merged bank at date of merger had			30

COMPTROLLER'S DECISION

Sun Bank/South Florida, National Association and Flagship National Bank of Broward County are majority owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank

Merger Act (12 USC 1828(c)) for the applicants to proceed with the merger.
February 22, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE GOODHUE COUNTY NATIONAL BANK OF RED WING,
Red Wing, Minn., and The First National Bank of Rushford, Rushford, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Rushford, Rushford, Minn. (6436), with	$21,991,000	1	
was purchased May 4, 1984, by The Goodhue County National Bank of Red Wing, Red Wing, Minn. (7307), which had	68,855,000	1	
After the purchase was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On May 4, 1984, application was made to the Comptroller of the Currency to grant prior written approval for The Goodhue County National Bank of Red Wing, Red Wing, Minn. (Assuming Bank), to purchase certain assets and assume certain liabilities of The First National Bank of Rushford, Rushford, Minn. (Rushford). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the FDIC the latter having been appointed receiver of Rushford. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Rushford became a national bank on September 23, 1902. The bank was declared insolvent by the Comptroller of the Currency on May 4, 1984. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated bewteen FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Rushford.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Rushford community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Rushford community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of Rushford, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Rushford requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and

[illegible]

authorizes the transaction to be consummated immediately.

Assuming Bank is authorized to operate Rushford former office as a branch.
May 4, 1984

* * *

Due to the emergency nature of the situation, the Attorney General's report was not requested.

MOUNTAIN PLAZA NATIONAL BANK,
Casper, Wyo., and State Bank of Mills, Mills, Wyo.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
State Bank of Mills, Mills, Wyo., with	$7,240,000	1	
was purchased May 4, 1984, by Mountain Plaza National Bank, Casper, Wyo. (16954), which had	8,412,000	1	
After the purchase was effected the receiving bank had			1

COMPTROLLER'S DECISION

On May 4, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Mountain Plaza National Bank, Casper, Wyo. (Assuming Bank), to purchase certain assets and assume certain liabilities of State Bank of Mills, Mills, Wyo. (Mills). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Mills. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Mills was declared insolvent by the State of Wyoming on May 4, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Mills.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Casper area.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of Mills, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Mills requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

By the OCC's approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of not less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Submission of a capital plan acceptable to this Office within ninety (90) days of the date of this approval. The capital plan must be designated to permit the bank to achieve a ratio of primary capital to total assets that is consistent with the OCC's capital adequacy guidelines not later than two years after the date of this approval.

3. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

May 4, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

WESTERN NATIONAL BANK OF CASPER, Casper, Wyo., and Wyoming National Bank of West Casper, Casper, Wyo.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Western National Bank of Casper, Casper, Wyo. (15300), with	$27,373,000	1	
was purchased May 4, 1984, by Wyoming National Bank of West Casper, Casper, Wyo. (18217), which had	1,000,000	0	
After the purchase was effected the receiving bank had			1

COMPTROLLER'S DECISION

On May 4, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Wyoming National Bank of West Casper, Casper, Wyo. (Assuming Bank), to purchase certain assets and assume certain liabilities of Western National Bank of Casper, Casper, Wyo. (Western). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Western. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Western became a national bank October 9, 1975. The bank was declared insolvent by the Comptroller of the Currency on May 4, 1984, and was placed in the control of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Western.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately

* [illegible]

in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Casper community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Casper community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of Western, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Western requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Submission of a capital plan acceptable to this Office within ninety (90) days of the date of this approval. The capital plan must be designated to permit the bank to achieve a ratio of primary capital to total assets that is consistent with the OCC's capital adequacy guidelines not later than two years after the date of this approval.

3. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

May 4, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

NEW YORK NATIONAL BANK,
New York, N.Y., and Two Branches of Manufacturers Hanover Trust Company, New York, N.Y.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Two Branches of Manufacturers Hanover Trust Company, New York, N.Y., with	$57,975,371,000	2	
were purchased May 7, 1984, by New York National Bank, New York, N.Y. (17197), which had .	18,655,000	1	
After the purchase was effected, the receiving bank had			3

COMPTROLLER'S DECISION

An application was filed on November 10, 1983, with the Office of the Comptroller of the Currency by New York National Bank, New York, N.Y. (NYNB), for approval to purchase certain of the assets and assume certain of the liabilities of the Southern Boulevard office and the Harlem office of Manufacturers Hanover Trust Company, New York, N.Y. (MHTC). The application is based upon a written agreement executed by the banks on November 1, 1983.

* Asset figures are from the March 31, 1984 report of condition for the entire bank. Information as of date of consummation was not available at press time.

As of September 30, 1983, NYNB, an independent unit bank, had total deposits of $15.3 million. As of March 30, 1983, MHTC's Southern Boulevard office held deposits of $13.8 million and its Harlem office held deposits of $18.4 million.

There are two separate geographic markets for this proposal: approximately a 40-block area in the South Bronx (the Southern Boulevard office) and approximately a 50-block area in East Harlem (the Harlem office). Within Southern Boulevard's market, there are five financial institutions holding total deposits of $109 million. NYNB is the smallest bank with an 8 percent market share. MHTC's Southern Boulevard office has a 14 percent market. After consummation, the res

ing bank would be the second largest institution with a 22 percent market share. MHTC will continue to operate three offices immediately outside the relevant geographic market. Additionally, there are numerous banking alternatives including several of the country's largest banks in very close proximity. Therefore, in light of the ample number of alternative banks in this very competitive market, the proposed transaction will have no significant effect on competition within this relevant geographic market.

NYNB does not operate any offices in East Harlem and derives only a nominal level of deposits from that area. Accordingly, consummation of the acquisition of the Harlem office will merely substitute one competitor in the market with another.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the buying bank are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the transaction.

January 31, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

MORRILTON SECURITY BANK,
Morrilton, Ark., and Interim Morrilton Security Bank, National Association, Morrilton, Ark.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Morrilton Security Bank, Morrilton, Ark., with	$33,521,000	3	
and Interim Morrilton Security Bank, National Association, Morrilton, Ark. (18223), which had	120,000	0	
merged May 11, 1984, under charter of the latter and with the title of "Morrilton Security Bank, National Association." The merged bank at date of merger had			3

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

[illegible]

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Morrilton Security Bank would become a subsidiary of First Commercial Corporation, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by First Commercial Corporation, it would have no effect on competition.

* * *

BANCO POPULAR DE PUERTO RICO,
San Juan, Puerto Rico, and Washington National Bank of Chicago, Chicago, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Washington National Bank of Chicago, Chicago, Ill. (16688), with	$ 14,077,000	1	
was purchased May 18, 1984, by Banco Popular de Puerto Rico, San Juan, Puerto Rico, which had	3,099,190,000	1	
After the purchase was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On May 18, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Banco Popular de Puerto Rico, San Juan, Puerto Rico (Assuming Bank), to purchase certain assets and assume certain liabilities of Washington National Bank of Chicago, Chicago, Ill. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Washington National Bank of Chicago. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately. Subsequent to the consummation Assuming Bank will operate the acquired institution as its approved Federal branch.

Washington National Bank of Chicago was chartered as a national bank on December 1, 1977, and at the close of business on May 18, 1984, had total deposits of approximately $14 million. The bank was declared insolvent by the Comptroller of the Currency on May 18, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Washington National Bank of Chicago.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Chicago community. The Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Chicago community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Washington National Bank of Chicago, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Washington National Bank of Chicago requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies and authorizes the transaction to be consummated immediately.

This is the prior written approval required by the Bank Merger Act for the applicant to proceed with the proposed transaction. This will also confirm this Office's May 18, 1984 approval of Assuming Bank's application to establish and operate a Federal branch and authorizes Assuming Bank to operate that Federal

* Asset figures are from the March 31, 1984 report of condition. Information as of date of consummation was not available at press time.

operation at the site of the failed bank subsequent to consummation of the transaction and the granting of Federal Deposit Insurance by the Federal Deposit Insurance Corporation and the Federal Reserve Board's approval of the change of Assuming Bank's home state from California to Illinois May 18 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested

* * *

FIRST NATIONAL BANK OF HOPKINS,
Hopkins, Minn., and First Produce State Bank of Minneapolis, Minneapolis, Minn.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First Produce State Bank of Minneapolis, Minneapolis, Minn., with	$ 51,762,000	1	
and First National Bank of Hopkins, Hopkins, Minn. (7958), which had	172,148,000	1	
merged May 18, 1984, under the charter and title of the latter. The merged bank at date of merger had			2

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

* Asset figures are from the March 31, 1984 report of condition Information as of date of consummation was not available at press time

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

FIRST NATIONAL BANK OF ST. LANDRY PARISH,
Opelousas, La., and Planters Trust & Savings Bank, Opelousas, La.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Planters Trust & Savings Bank, Opelousas, La., with	$71,247,000	4	
was purchased May 18, 1984, by First National Bank of St. Landry Parish, Opelousas, La. (16200), which had	98,229,000	1	
After the purchase was effected the receiving bank had			5

COMPTROLLER'S DECISION

On May 18 1984, application was made to the Comptroller of the Currency to grant prior written approval for First National Bank of St Landry Parish, Opelousas, La (Assuming Bank), to purchase certain assets and assume certain liabilities of Planters Trust and Savings Banks, Opelousas La The application rests upon an agreement incorporated herein by reference the same as if fully set forth negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Planters Trust and Savings Bank. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately

Planters Trust and Savings Bank is a state-chartered nonmember bank and at the close of business on May 18, 1984 had total deposits of approximately $66 million The bank was declared insolvent by the Commissioner of Banking of the State of Louisiana on May 18 1984 and was placed in the hands of the FDIC as

* Asset figures are from the March 31, 1984 report of condition Information as of date of consummation was not available at press time

receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Planters Trust and Savings Bank.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Opelousas community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Opelousas community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Planters Trust and Savings Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Planters Trust and Savings Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transactions to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).

May 18, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

FIRST SECURITY BANK OF IDAHO, NATIONAL ASSOCIATION,
Boise, Idaho, and Custer County Bank, Challis, Idaho

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Custer County Bank, Challis, Idaho, with	$ 19,452,000	1	
and First Security Bank of Idaho, National Association, Boise, Idaho (14444), which had	1,665,123,000	69	
merged May 18, 1984, under charter and title of the latter. The merged bank at date of merger had			70

COMPTROLLER'S DECISION

On June 14, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Custer County Bank, Challis, Idaho (Custer) into First Security Bank of Idaho, National Association, Boise, Idaho (First). The application is based upon a written agreement executed by the banks on May 26, 1983.

As of December 31, 1982, First held total deposits of $1.2 billion and operated 69 offices in Idaho. First is a majority-owned subsidiary of First Security Corporation, a grandfathered multi-state bank holding company operating four subsidiary banks, two in Utah and one each in Idaho and Wyoming. At year-end 1982, First Security Corporation held consolidated deposits of $3.3 billion. As of the same date, Custer held total deposits of $17 million. Custer is an independent, unit bank.

The proponents do not currently compete directly and, therefore, consummation of the proposal will not have a significant effect on competition in the relevant geographic market. The relevant geographic market for this proposal is the western two-thirds of Custer County, which includes the towns of Challis, Clayton and Stanley and other small rural areas. Custer is the only commercial banking office within the market. First's closest office is 60 miles distant. Accordingly, consummation of this proposal will merely substitute one competitor in the market with a significantly stronger institution.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served." We find the financial and managerial resources of First and Custer to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved.

February 14, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Fla., and Ellis National Bank of Central Florida, Tampa, Fla

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Ellis National Bank of Central Florida, Tampa, Fla. (14932), with	$ 98.197.000	10	
and NCNB National Bank of Florida, Tampa, Fla. (17775), which had	3.073.372.000	79	
merged May 18, 1984, under charter and title of the latter. The merged bank at date of merger had	3.173.454.000		89

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Attorney General's report was not received

* * *

THE FIRST NATIONAL BANK OF SHAKOPEE,
Shakopee, Minn., and First National Bank of Prior Lake, Prior Lake, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Prior Lake, Prior Lake, Minn. (17461), with	$12,231,000	1	
was purchased May 24, 1984, by The First National Bank of Shakopee, Shakopee, Minn. (3039), which had	49,266,000	1	
After the purchased was effected, the receiving bank had			2

COMPTROLLER'S DECISION

On May 24, 1984, application was made to the Comptroller of the Currency to grant prior written approval for The First National Bank of Shakopee, Shakopee, Minn. (Assuming Bank), to purchase certain assets and assume certain liabilities of First National Bank of Prior Lake, Prior Lake, Minn. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of First National Bank of Prior Lake. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

First National Bank of Prior Lake was chartered as a national bank on October 1, 1982, and at the close of business on May 18, 1984, had total assets of approximately $14 million. The bank was declared insolvent by the Comptroller of the Currency on May 24, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approvel of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of First National Bank of Prior Lake.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Prior Lake community. Assuming Bank has sufficient financial and managerial resources, and this acquisition

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

will enable it to enhance the banking services offered in the Prior Lake community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of First National Bank of Prior Lake, as set forth in the agreement, is approved. The Comptroller further finds that the failure of First National Bank of Prior Lake requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Submission of a capital plan acceptable to this Office within ninety (90) days of the date of this approval. The capital plan must be designed to enable the bank to achieve a ratio of primary capital to total assets that complies with the OCC's capital adequacy guidelines within two years after the date of this approval.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).

May 24, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

DOMINION NATIONAL BANK OF RICHMOND, Richmond, Va., and Bank of the James, Manakin-Sabot, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Bank of the James, Manakin-Sabot, Va., with	$ 19,690,000	4	
and Dominion National Bank of Richmond, Richmond, Va. (15530), which had	192,585,000	11	
merged May 29, 1984, under charter of the latter and with the title "Dominion Bank of Richmond, National Association." The merged bank at date of merger had			15

COMPTROLLER'S DECISION

On January 24, 1984, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act (12 USC 1828(c)), for prior authorization to merge Bank of the James, Manakin-Sabot, Va. (James) into Dominion National Bank of Richmond, Richmond, Va. (Dominion). The application is based on an agreement finalized between James and Dominion on October 25, 1983, with an amendment dated November 25, 1983.

Dominion is a subsidiary of Dominion Bankshares Corporation (Corporation), the third largest bank holding company in the State of Virginia. Dominion had total assets of $182 million and total deposits of $162 million as of September 30, 1983, and operates 11 offices in and around Richmond. It is the sixth largest bank in the Richmond market with 3.9 percent of the commercial banking deposits. James had total assets of $17 million and total deposits of $15 million as of September 30, 1983, and operates four offices in the northwestern suburbs of Richmond. It is the twelfth largest bank having .3 percent of the commercial banking deposits. The resultant bank will remain number six in the market.

The relevant geographic market for this proposal is the northwestern area of the Richmond metropolitan area. All of James' offices are located in this area with Dominion having a limited presence. Competition is provided by numerous commercial and thrift banking offices, many of which represent not only the largest

* [illegible]

financial institutions in Richmond, but also in the State of Virginia. The size of James relative to the size and number of other institutions operating in the area, indicates that consummation of this proposal will not significantly lessen competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will allow the James' offices access to a statewide banking organization and derive the benefits of increased economies of scale, management expertise, and a wider range and depth of services for its existing customer base.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their community, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved, subject to the condition noted in a separate communication to Dominion.

April 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

DOMINION NATIONAL BANK OF RICHMOND, Richmond, Va., and The Peoples Bank of Chesterfield, Chesterfield, Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The Peoples Bank of Chesterfield, Chesterfield, Va., with	$ 50,680,000	4	
and Dominion National Bank of Richmond, Richmond, Va. (15530), which had	192,585,000	11	
merged May 29, 1984, under charter of the latter and title of "Dominion Bank of Richmond, National Association." The merged bank at date of merger had			15

COMPTROLLER'S DECISION

On January 20, 1984, application was made to the Office of the Comptroller of the Currency, pursuant to the Bank Merger Act, 12 USC 1828(c) for prior authorization to merge The Peoples Bank of Chesterfield, Chesterfield, Va. (Peoples), into Dominion National Bank of Richmond, Richmond, Va. (Dominion). The application is based on an agreement finalized between Peoples and Dominion on September 21, 1983, with an amendment dated October 19, 1983.

Dominion is a subsidiary of Dominion Bankshares Corporation (Corporation), the third largest bank holding company in the State of Virginia. Dominion had total assets of $182 million and total deposits of $162 million as of September 30, 1983, and operates 11 offices in and around Richmond. It is the sixth largest bank in the Richmond market with 3.9 percent of the total deposits. Peoples had total assets of $50 million and total deposits of $46 million as of September 30, 1983, and operates its four offices in the southwestern suburbs of Richmond. This bank is the eleventh largest in the Richmond market, maintaining 1.1 percent of total deposits. The merged institution will remain in sixth position.

The relevant geographic market for this proposal is the southwestern area of the Richmond metropolitan area. All of Peoples' offices are located in this area with Dominion having a limited presence. Competition is provided by numerous commercial and thrift banking offices, many of which represent not only the larger financial institutions in Richmond, but also in the State of Virginia. The size of Peoples relative to the size and number of other institutions operating in the area, indicates that consummation of this proposal will not significantly lessen competition.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

The Bank Merger Act requires this Office to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. The financial and managerial resources of both banks are satisfactory and future prospects of the combined entity are good. The merger will allow the Peoples' offices access to a statewide banking organization and derive the benefits of increased economies of scale, management expertise, and a wider range and depth of services for its existing customer base.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their community, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not have a significant effect on competition in the relevant market. Accordingly, the application is approved, subject to the condition noted in a separate communication to Dominion.

April 25, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

MERCANTILE NATIONAL BANK OF INDIANA,
Hammond, Ind., and Merrillville Bank & Trust Company, Merrillville, Ind.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Merrillville Bank & Trust Company, Merrillville, Ind., with	$ 15,872,000	1	
and Mercantile National Bank of Indiana, Hammond, Ind. (14529), which had	293,062,000	9	
merged May 29, 1984, under charter and title of the latter. The merged bank at date of merger had			10

COMPTROLLER'S DECISION

On October 24, 1983, application was made to the Office of the Comptroller of the Currency for prior authorization to merge Merrillville Bank & Trust Company, Merrillville, Ind. (MBT) into Mercantile National Bank of Indiana, Hammond, Ind. (Mercantile). This application is based on an agreement finalized between the proponents on September 28, 1983.

As of June 30, 1983, MBT, an independent unit bank, had total deposits of $14 million. On the same date, Mercantile had total deposits of $231 million and operated nine offices in Lake County. Mercantile is majority owned and controlled by Mercantile Bancorp, Inc., a one-bank holding company.

The relevant geographic market for this proposal is Lake County, the area in which both banks operate and derive the bulk of their deposits. Within the relevant market, there are 13 commercial banks operating 96 offices. Mercantile is the third largest bank with 11.4 percent of market deposits; MBT is the twelfth largest with .7 percent of market deposits. The resulting bank would remain the third largest with a 12.1 percent market share. Although consummation of this proposal would eliminate some existing competition between the two banks and reduce the number of competitors in the relevant market by one, ample alternative banks would still remain in this competitive and unconcentrated market. Therefore, under these circumstances, this Office finds that the proposed merger would not have an adverse effect on competition.

The Bank Merger Act requires this Office to consider the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. We find the financial and managerial resources of Mercantile and MBT to be satisfactory. The future prospects of the proponents, individually

* [illegible]

and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act, 12 USC 1828(c), for the applicants to proceed with the merger.
April 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK,
Savannah, Ga., and The Commercial National Bank, Cedartown, Ga.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The Commercial National Bank, Cedartown, Ga. (14499), with	$ 46,765,000	1	
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had	6,667,832,000	147	
merged May 31, 1984, under charter and title of the latter. The merged bank at date of merger had			148

COMPTROLLER'S DECISION

On February 1, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Commercial National Bank, Cedartown, Ga. (CNB), into Citizens and Southern National Bank, Savannah, Ga. (C&S). This application is based on an agreement finalized between CNB and C&S on January 17, 1984.

As of September 30, 1983, CNB, an independent bank, had total deposits of $38 million and operated two offices in Polk County. On the same date, C&S had total deposits of $4 billion and operated 146 offices throughout the state. C&S is a wholly owned subsidiary of Citizens and Southern Georgia Corporation, Atlanta, Ga., a multibank holding company.

The relevant geographic market for this proposal is the city of Cedartown, where CNB operates its offices and derives over 80 percent of its deposits. There are two commercial banks serving the market with total deposits of $62 million. CNB holds a 59 percent deposit market share. C&S generates a nominal amount of its deposits in the relevant market and its closest office is 30 miles distant. The proponents do not currently compete directly; therefore, consummation of this proposal will merely replace one competitor in the market with another.

* Asset figures are from the March 31, 1984 report of condition. Information as of date of consummation was not available at press time.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act 12 USC 1828(c) and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.
April 20, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE CITIZENS AND SOUTHERN NATIONAL BANK, Savannah, Ga., and The Fayette State Bank, Peachtree City, Ga.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Fayette State Bank, Peachtree City, Ga., with	$ 59,946,000	4	
and The Citizens and Southern National Bank, Savannah, Ga. (13068), which had	6,667,832,000	146	
merged May 31, 1984, under the charter and title of the latter. The merged bank at date of merger had			150

COMPTROLLER'S DECISION

On February 11, 1984, application was made to the Office of the Comptroller of the Currency for prior authorization to merge The Fayette State Bank, Peachtree City, Ga. (Fayette), into The Citizens and Southern National Bank, Savannah, Ga. (C&S). This application is based on an agreement finalized between Fayette and C&S on December 20, 1983.

As of September 30, 1983, Fayette, an independent bank, had total deposits of $48 million and operated four banking offices in Fayette County. On the same date, C&S had total deposits of $4 billion and operated 146 banking offices throughout Georgia. C&S is a subsidiary of Citizens and Southern Georgia Corporation, Atlanta, Ga.

The relevant geographic market for this proposal is Fayette County, where Fayette operates its banking offices and derives over 75 percent of its deposits. The three commercial banks serving the market reported total deposits of $74 million as of June 30, 1983, and Fayette ranked first in deposit market share with 44 percent. C&S operates no offices and generates only a nominal volume of its deposits in the relevant market. The proponents do not currently compete directly. Therefore, consummation of this proposal will have no significant effect on existing competition in the relevant market.

The Bank Merger Act requires this Office to consider "... the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are considered satisfactory. The future prospects of the proponent banks, independently and in combination, are favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities, revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, is less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 26, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

THE FIRST NATIONAL BANK OF VIRGINIA,
Virginia, Minn., and First National Bank of Hibbing, Hibbing, Minn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Virginia, Virginia, Minn. (6527), with	$123,649,000	2	
and First National Bank of Hibbing, Hibbing, Minn. (5745), which had	90,148,000	1	
consolidated June 1, 1984, under charter of the former and title of "First Bank Minnesota (National Association)." The consolidated bank at date of consolidation had			3

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

FIRST TENNESSEE BANK N.A., MEMPHIS,
Memphis, Tenn., and First Tennessee Bank, N.A., Chattanooga, Tenn.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Tennessee Bank, N.A., Chattanooga, Tenn. (16552), with	$ 572,061,000	21	
and First Tennessee Bank N.A., Memphis, Memphis, Tenn. (336), which had	2,530,827,000	61	
merged June 1, 1984, under charter and title of the latter. The merged bank at date of merger had			82

The Comptroller's Decision and the Summary of Report by Attorney General can be found on p. 156.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

MARYLAND NATIONAL BANK
Baltimore, Md., and Bank of Maryland, Hillcrest Heights, Md.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Bank of Maryland, Hillcrest Heights, Md., with	$ 130,774,000	13	
and Maryland National Bank, Baltimore, Md. (13745), which had	4,870,465,000	196	
merged June 1, 1984, under charter and title of the latter. The merged bank at date of merger had			209

COMPTROLLER'S DECISION

An application was filed with the Office of the Comptroller of the Currency on February 23, 1984 for prior authorization to merge Bank of Maryland, Hillcrest Heights, Md. (B of M), into Maryland National Bank, Baltimore, Md. (MNB). The application is based upon a written agreement executed by the proponents on December 16, 1983.

As of September 30, 1983, MNB held total deposits of $3.2 billion and operated 196 offices throughout the State of Maryland. MNB is the principal subsidiary of Maryland National Corporation, the largest commercial banking organization in Maryland.

As of the same date, B of M, an independent bank, held total deposits of $115 million and operated 13 offices in the Mayland portion of metropolitan Washington, D.C.

The relevant geographic market for this proposal is the Washington, D.C. metropolitan area, excluding those portions located in Virginia. Washington, D.C. is included in the market due to the commuting pattern between the Maryland suburbs and the District, the number of District banks belonging to automatic teller machine networks in Maryland, the number of District and Maryland banks maintaining branch offices in close proximity to the District Maryland boundary, and the identical principal advertising media serving both the District and the Maryland suburbs.

All of B of M's 13 offices are located in the relevant market and B of M derives 90 percent of its deposits from the relevant market. MNB operates 51 offices in the relevant market and holds deposits of $460 million in this market. There are 43 commercial banking organizations operating more than 500 offices and 34 thrift institutions operating more than 250 offices in the relevant market. Total market deposits held by these financial institutions is $19 billion.

In recent decisions, this Office has determined that, at least in certain relevant markets, thrift institutions and commercial banks do operate in the same line of commerce.[1]

This Office is of the opinion that, within the metropolitan Washington area, thrifts have developed into substantial competitors of commercial banks. Recent federal and Maryland legislation has granted thrifts broad asset and liability powers. As a result, they are now empowered to provide a cluster of products and services virtually identical to those provided by commercial banks, *e.g.*, they may accept commercial demand deposits, make consumer loans and make short term and unsecured commercial loans.

Thrift institutions hold nearly 40 percent of all deposits held by financial institutions in the market. Four of the ten largest financial institutions in the market are thrifts. At least two of the largest thrifts have changed their name to include the word "bank" and the largest thrift has hired four commercial loan officers from commercial banks. Although specific data are not available on the extent of consumer and commercial lending by thrifts in the market, and although the absolute outstandings in these loan categories is small compared to that of the commercial banks, it must be recognized that thrifts have only had the ability to offer such services a very short time. In that time, however, the thrifts have been very aggressive and their involvement should continue to increase. Based on the above analysis, thrifts in the Washington metropolitan area are included as competitors in determining market share.

[1] Decision of the Comptroller of the Currency on the Application to Merge The Connecticut National Bank, Bridgeport, Connecticut, and Hartford National Bank and Trust Company, Hartford, Connecticut, March 26, 1982; Decision of the Comptroller of the Currency on the Application to Merge Connecticut Bank and Trust Company, Hartford, Connecticut, and The State National Bank of Connecticut, Bridgeport, Connecticut, December 1, 1982; Decision of the Comptroller of the Currency on the Application to Merge Commercial National Bank of Little Rock, Little Rock, Arkansas, and The First National Bank in Little Rock, Little Rock, Arkansas, May 27, 1983; and Decision of the Comptroller of the Currency on the Application to Merge Guarantee Bank, Atlantic City, New Jersey, and The First Jersey National Bank/South, Manahawkin, New Jersey, December 13, 1983.

* [illegible]

The relevant market is an unconcentrated market with the four largest institutions holding less than 40 percent of all market deposits. After consummation, the resulting bank would become the eleventh largest financial institution with a market share of 3 percent. Given the relative market shares of the merging organizations and the number of alternative financial institutions in the market, consummation of the merger would not have a significantly adverse effect upon competition in the relevant geographic market.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served. We find the financial and managerial resources of both banks to be satisfactory. The future prospects of the proponents, individually and combined, are considered favorable although the larger resulting bank is expected to provide a wider range of banking services.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

We have reviewed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it does not significantly lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

April 10, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

SUN BANK, NATIONAL ASSOCIATION,
Orlando, Fla., and Flagship First National Bank of Titusville, Titusville, Fla., and Flagship Bank of Seminole, Sanford, Fla.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
Flagship First National Bank of Titusville, Titusville, Fla. (15046), with	$ 65,299,000	3	
Flagship Bank of Seminole, Sanford, Fla., with	115,973,000	5	
and Sun Bank, National Association, Orlando, Fla. (16108), which had	2,152,156,000	42	
merged June 1, 1984, under charter and title of the latter. The merged bank at date of merger had			50

COMPTROLLER'S DECISION

Sun Bank, National Association, Flagship Bank of Seminole, and Flagship First National Bank of Titusville are majority-owned and controlled by Sun Banks, Inc., Orlando, Fla., a registered bank holding company. This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory responsibilities reveals no evidence that the banks' records of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act 12 USC 1828(c), for the applicants to proceed with the merger.

March 15, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* Asset figures are from the March 31, 1984, report of condition. Information as of date of consummation was not available at press time.

* * *

UNION TRUST COMPANY
Wildwood, N.J., and Midlantic National Bank Union Trust, Wildwood, N.J.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Union Trust Company, Wildwood, N.J., with	$74,988,000	1	
and Midlantic National Bank Union Trust, Wildwood, N.J. (18338), which had	7,120,000	0	
merged June 1, 1984, under charter and title of the latter. The merged bank at date of merger had			1

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the Union Trust Company of Wildwood would become a subsidiary of Midlantic Banks Inc., a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by Midlantic Banks Inc., it would have no effect on competition.

* * *

FIRST ALABAMA BANK OF ANNISTON, NATIONAL ASSOCIATION,
Anniston, Ala., and Cherokee County Bank, Centre, Ala.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
Cherokee County Bank, Centre, Ala. with	$39,391,000	3	
was purchased June 6, 1984, by First Alabama Bank of Anniston, National Association, Anniston, Ala. (4250), which had	99,560,000	1	
After the purchase was effected, the receiving bank had			4

COMPTROLLER'S DECISION

On June 6, 1984, application was made to the Comptroller of the Currency to grant prior written approval for First Alabama Bank of Anniston, National Association, Anniston, Ala. (Assuming Bank), to purchase certain assets and assume certain liabilities of Cherokee County Bank, Centre, Ala., (Cherokee). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) the latter having been appointed receiver of Cherokee. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

On June 5, 1984, due to the financial condition of Cherokee, the Alabama Superintendent of Banks closed Cherokee and appointed The FDIC as receiver on the same date. The Comptroller has now been asked to grant his written approval of the proposed agreement negotiated between the FDIC and Assuming Bank by which the latter would purchase certain assets and assume certain liabilities, including all deposit liabilities of Cherokee.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the

[illegible]

failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Centre community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, Assuming Bank's application to assume certain liabilities and purchase certain assets of Cherokee, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Cherokee requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

June 6, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

NCNB NATIONAL BANK OF FLORIDA,
Tampa, Fla., and Ellis Bank of Indian Rocks, N.A., Largo, Fla., and Ellis National Bank of Pinellas County, St. Petersburg, Fla.

Names of banks and type of transaction	Total assets	Banking offices: In operation	Banking offices: To be operated
Ellis Bank of Indian Rocks, N.A., Largo, Fla. (18134), with	$ 130,174,000	5	
Ellis National Bank of Pinellas County, St. Petersburg, Fla. (15277), with	116,010,000	6	
and NCNB National Bank of Florida, Tampa, Fla. (17775), which had	3,173,454,000	89	
merged June 15, 1984, under charter and title of the latter. The merged bank at date of merger had	3,423,801,000		100

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

The Attorney General's report was not received.

* * *

FIRST NATIONAL EXCHANGE BANK
Roanoke, Va., and First Bassett Bank & Trust, Bassett, Va.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
First Bassett Bank & Trust, Bassett, Va., with	$ 83,171,000	5	
and First National Exchange Bank, Roanoke, Va. (2737), which had	2,127,644,000	44	
merged June 16, 1984, under the charter and title of the latter. The merged bank at date of merger had			49

COMPTROLLER'S DECISION

On January 10, 1984, application was made to the Office of the Comptroller of the Currency for prior written authorization to merge First Bassett Bank & Trust, Bassett, Va. (First Bassett), into Dominion Bank, National Association, Roanoke, Va. (Dominion), under the charter and title of the latter. The application is based upon an agreement finalized between First Bassett and Dominion on October 18, 1983.

First Bassett, organized in 1907, operates a main office and four branches in Henry County, Va. As of September 30, 1983, the bank had approximately $82 million in total assets and $71 million in total deposits. Dominion, with 44 banking offices located in southwest Virginia, is the lead bank in Virginia Bankshares Corporation, Virginia's third largest banking organization. As of September 30, 1983, Dominion had approximately $1.9 billion in total assets and $1.4 billion in total deposits. Dominion is the former First National Exchange Bank.

Both banks operate in service areas located in southwestern Virginia. First Bassett's service area and the relevant geographic market for this proposal consists of Henry County in its entirety. All five First Bassett banking offices are located in Henry County. Dominion serves numerous urban and rural communities in southwestern Virginia. The largest concentration of banking offices is in the Roanoke area, where Dominion's main office and 13 branches are located. Other areas of operation include Blacksburg, Bluefield, Christiansburg, Covington, Lexington, Salem, and Wytheville. In total, Dominion's service area runs from Lexington and Covington in the north to Wytheville in the south along the base of the Allegheny Mountains.

The proposed merger would combine two banks which operate in separate and distinct service areas. The Dominion office, which is nearest the relevant geographic market of First Bassett, is located at a distance of 50 miles. Ten offices of four other banks are located within the 50-mile area intervening between the applicants. Dominion and First Bassett are not direct competitors. Consummation of the proposal will result in the replacement of one competitor in the relevant geographic market with another and will not be significantly adverse to competition.

The Bank Merger Act requires this Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources and future prospects of both banks are considered satisfactory. The future prospects of the resulting bank appear favorable as does its ability to further enhance its competitiveness in the market and serve the convenience and needs of its customers.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the banks' records of helping to meet the credit needs of their entire communities, including low and moderate income neighborhoods, are less than satisfactory.

We have analyzed this proposal pursuant to the Bank Merger Act, 12 USC 1828(c), and find that it will not lessen competition in the relevant market. Other factors considered in evaluating this proposal are satisfactory. Accordingly, the application is approved.

March 20, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* [illegible]

SOUTHTRUST FIRST NATIONAL BANK OF DOTHAN,
Dothan, Ala., and SouthTrust Bank of Dale County, Midland City, Ala.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
SouthTrust Bank of Dale County, Midland City, Ala., with	$ 7,051,000	3	
and SouthTrust First National Bank of Dothan, Dothan, Ala. (5249), which had	222,606,000	8	
merged June 16, 1984, under the charter and title of the latter. The merged bank at date of merger had	229,657,000		11

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition

* * *

BARNETT BANK OF GAINESVILLE, N.A.,
Gainesville, Fla., and High Springs Bank, High Springs, Fla.

Names of banks and type of transaction	*Total assets*	*Banking offices*	
		In operation	*To be operated*
High Springs Bank, High Springs, Fla., with	$ 42,687,000	5	
and Barnett Bank of Gainesville, N.A., Gainesville, Fla. (16589), which had	83,195,000	2	
consolidated June 18, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had	125,882,000		7

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

THE FARMERS NATIONAL BANK OF AURELIA,
Aurelia, Iowa, and Heritage Bank, National Association, Aurelia, Iowa

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Farmers National Bank of Aurelia, Aurelia, Iowa (9724), with	$19,900,000	1	
was purchased June 21, 1984, by Heritage Bank, National Association, Aurelia, Iowa (18269), which had	2,112,000	0	
After the purchase was effected, the receiving bank had			1

COMPTROLLER'S DECISION

On June 21, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Heritage Bank, National Association, Aurelia, Iowa (Assuming Bank), to purchase certain assets and assume certain liabilities of The Farmers National Bank of Aurelia, Aurelia, Iowa (Farmers). The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between the Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of Farmers. For reasons set forth below, the application is hereby approved and the Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

Farmers was chartered as a national bank on April 13, 1910, and at the close of business on June 21, 1984, had total deposits of approximately $18.8 million. The bank was declared insolvent by the Comptroller of the Currency on June 21, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of Farmers.

Under the Bank Merger Act, 12 USC 1828(c), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects from the consequences of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Aurelia community. Assuming Bank has sufficient financial resources, and this acquisition will enable it to enhance the banking services offered in the Aurelia community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighted in the public interest by the probable effect of the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of Farmers, as set forth in the agreement, is approved. The Comptroller further finds that the failure of Farmers requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community, and the Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Achieve within two (2) years and thereafter maintain a ratio of primary capital to total assets that complies with the Comptroller's minimum capital adequacy guidelines.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).
June 21, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

THE SECOND NATIONAL BANK OF DANVILLE,
Danville, Ill., and Bank of Danville, Danville, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Second National Bank of Danville, Danville, Ill. (2584), with	$150,174,000	3	
and Bank of Danville, Danville, Ill., which had	26,472,000	1	
merged June 25, 1984 under the charter and title of former. The merged bank at date of merger had	176,646,000		4
The resulting bank is a subsidiary of First Midwest Bancorp, Inc.			

This transaction was processed under new procedures the OCC has implemented for corporate reorganization transactions. No decision was issued.

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

HERITAGE BANK NATIONAL ASSOCIATION,
Monroe Township, N.J., and The City National Bank and Trust Company of Salem, Salem, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The City National Bank and Trust Company of Salem, Salem, N.J. (3922), with	$ 53,398,000	6	
and Heritage Bank National Association, Monroe Township (P.O. Jamesburg), N.J. (1209), which had	1,862,388,000	87	
merged June 28, 1984, under charter and title of the latter. The merged bank at date of merger had			93

COMPTROLLER'S DECISION

The City National Bank and Trust Company of Salem and Heritage Bank National Association are majority-owned and controlled by Heritage Bancorporation, Jamesburg, N.J., a registered bank holding company.

This proposed merger is a corporate reorganization which would have no effect on competition.

A review of the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served has disclosed no reason why this application should not be approved.

The record of this application and other information available to this Office as a result of its regulatory

* Asset figures for The City National Bank and Trust Company of Salem are from the December 31, 1983 report of condition and from the March 31, 1984, report for Heritage Bank National Association. Information as of date of consummation was not available at press time.

responsibilities reveals no evidence that the banks' records of lending to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

This is the prior written approval required by the Bank Merger Act (12 USC 1828(c)) for the applicants to proceed with the merger.

January 27, 1984

SUMMARY OF REPORT BY ATTORNEY GENERAL

We have reviewed this proposed transaction and conclude that it would not have a significantly adverse effect on competition.

* * *

EAST TEXAS BANK AND TRUST COMPANY, Longview, Tex., and Texas National Bank, Longview, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
East Texas Bank and Trust Company, Longview, Tex., with	$106,092,000	1	
was purchased June 29, 1984, by Texas National Bank, Longview, Tex. (18291)	4,850,000	0	
After the purchase was effected, the receiving bank had			1

COMPTROLLER'S DECISION

On June 29, 1984, application was made to the Comptroller of the Currency to grant prior written approval for Texas National Bank, Longview, Tex. (Assuming Bank), to purchase certain assets and assume certain liabilities of East Texas Bank, and Trust Company, Longview, Tex. The application rests upon an agreement, incorporated herein by reference the same as if fully set forth, negotiated between Assuming Bank and the Federal Deposit Insurance Corporation (FDIC) as receiver of East Texas Bank. For reasons set forth below, the application is hereby approved and Assuming Bank is authorized to consummate the purchase and assumption transaction immediately.

At the close of business on June 27, 1984, East Texas Bank had total deposits of approximately $76 million. The bank was declared insolvent by the Texas State Banking Commissioner on June 29, 1984, and was placed in the hands of the FDIC as receiver. The Comptroller of the Currency has now been requested to grant his written approval of the proposed agreement negotiated between the FDIC and the Assuming Bank by which the latter would purchase certain assets and assume certain liabilities of East Texas Bank.

Under the Bank Merger Act (12 USC 1828(c)), the Comptroller cannot approve a purchase and assumption transaction which would have certain proscribed anticompetitive effects unless he finds these anticompetitive effects to be clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served. Additionally, the Comptroller is directed to consider the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. When necessary, however, to prevent the evils attendant upon the failure of a bank, the Comptroller can dispense with the standards applicable to usual acquisition transactions and need not consider reports on the competitive effects of the transaction ordinarily solicited from the Department of Justice and other banking agencies. He is authorized in such circumstances to act immediately in his sole discretion to approve such a transaction and to authorize its immediate consummation.

The proposed acquisition will be in accord with all pertinent provisions of the National Bank Act and will prevent a disruption of banking services to the Longview community. Assuming Bank has sufficient financial and managerial resources, and this acquisition will enable it to enhance the banking services offered in the Longview community.

The Comptroller finds that the anticompetitive effects of the proposed transaction, if any, are clearly outweighed in the public interest by the probable effect of

* [illegible]

the proposed transaction in meeting the convenience and needs of the community to be served. For these reasons, the Assuming Bank's application to assume certain liabilities and purchase certain assets of East Texas Bank, as set forth in the agreement, is approved. The Comptroller further finds that the failure of East Texas Bank requires him to act immediately, as contemplated by the Bank Merger Act, to prevent disruption of banking services to the community. The Comptroller thus waives publication of notice, dispenses with solicitation of competitive reports from other agencies, and authorizes the transaction to be consummated immediately.

By accepting approval and by consummating the purchase and assumption transaction, Assuming Bank agrees to be bound by the following conditions:

1. An initial minimum ratio of primary capital to total assets of no less than five percent (5%). The amount of intangible assets which may be included in capital for purposes of this assessment is limited to not more than twenty-five percent (25%) of tangible primary capital.

2. Submission of a capital plan acceptable to this Office within ninety (90) days of the date of this approval. The capital plan must be designed to permit the bank to achieve a ratio of primary capital to total assets that is consistent with the OCC's capital adequacy guidelines not later than two years after the date of this approval.

These conditions shall be deemed to be "conditions imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC 1818(b)(1).
June 29, 1984

Due to the emergency nature of the situation, the Attorney General's report was not requested.

* * *

II. Mergers consummated involving a single operating bank.

Because of space limitations, the *Quarterly Journal* will no longer carry the Comptroller's Decision or the Summary of Report by Attorney General for transactions involving a single operating bank if the standard text below is used. The OCC has implemented new procedures for processing corporate reorganization transactions. Some of these mergers were approved under the new procedures and no decision was issued.

COMPTROLLER'S DECISION

* * * Bank is being organized by * * *, a bank holding company. The merger of * * * Bank into * * * (organizing) Bank is a part of a process whereby * * * (holding company) will acquire 100 percent (less directors' qualifying shares) of * * * Bank. The merger is a vehicle for a bank holding company acquisition and combines a non-operating bank with an existing commercial bank. As such, it presents no competitive issues under the Bank Merger Act, 12 USC 1828(c).

The financial and managerial resources of both proponents and the future prospects of the resulting bank are favorable. After the merger, the resulting bank will be in the position to draw on the financial and managerial resources of its new corporate parent. This will permit it to more effectively serve the convenience and needs of its community.

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicant's record of helping to meet the credit needs of the entire community, including low and moderate income neighborhoods, is less than satisfactory.

This decision is the prior written approval required by the Bank Merger Act for the applicants to proceed with the proposed merger.

SUMMARY OF REPORT BY ATTORNEY GENERAL

The proposed merger is part of a plan through which the * * * Bank would become a subsidiary of * * *, a bank holding company. The instant transaction would merely combine an existing bank with a non-operating institution; as such, and without regard to the acquisition of the surviving bank by * * * (holding company), it would have no effect on competition.

FIRST NATIONAL BANK OF VICKSBURG,
Vicksburg, Miss., and Interim National Bank, Vicksburg, Miss.

Names of banks and type of transaction	Total assets*	Banking offices: In operation	Banking offices: To be operated
First National Bank of Vicksburg, Vicksburg, Miss. (3258), with	$155,629,000	8	
and Interim National Bank, Vicksburg, Miss. (3258), which had	120,000	0	
merged January 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			8
The resulting bank is a subsidiary of First National Financial Corporation, Vicksburg, Miss.			

* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

UPSHUR NATIONAL BANK,
Buckhannon, W. Va., and U.N. National Bank, Buckhannon, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices In operation	To be operated
Upshur National Bank, Buckhannon, W. Va. (16873), with	$9,465,000	1	
and U. N. National Bank, Buckhannon, W. Va. (16873), which had	120,000	0	
merged February 13, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of First Community Bancshares, Inc., Buckhannon, W Va.			

* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983 report of condition for the operating bank. Information as of date of consummation was not available at press time

* * *

COLUMBIA NATIONAL BANK OF CHICAGO,
Chicago, Ill., and CNB of C Bank, Chicago, Ill.

Names of banks and type of transaction	Total assets*	Banking offices In operation	To be operated
Columbia National Bank of Chicago, Chicago, Ill. (15260), with	$177,270,000	2	
and CNB of C Bank, Chicago, Ill. (15260), which had	250,000	0	
merged March 15, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2

* Asset figures are from the organizing information for the organizing bank and from the December 31, 1983, report of condition for the operating bank. Information as of date of consummation was not available at press time

* * *

BELMONT COUNTY NATIONAL BANK,
St. Clairsville, Ohio, and B.C. National Bank, St. Clairsville, Ohio

Names of banks and type of transaction	Total assets*	Banking offices In operation	To be operated
B.C. National Bank, St. Clairsville, Ohio, (14050), with	$ 150,000	0	
and Belmont County National Bank, St. Clairsville, St. Clairsville, Ohio (14050), which had	119,933,000	5	
consolidated April 1, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had			5
The resulting bank is a subsidiary of Belmont Bancorp., Bridgeport, Ohio.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984 report of condition for the operating bank. Information as of date of consummation was not available at press time

* * *

COMMUNITY BANK AND TRUST COMPANY, NATIONAL ASSOCIATION,
Fairmont, W. Va., and Community National Bank, Fairmont, W. Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Community Bank and Trust Company, National Association, Fairmont, W. Va. (15760), with	$171,257,000	8	
and Community National Bank, Fairmont, W. Va. (15760), which had	120,000	0	
merged April 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	171,257,000		8
The resulting bank is a subsidiary of CB&T Financial Corp., Fairmont, W. Va.			

* * *

THE FIRST NATIONAL BANK OF JACKSON COUNTY,
Jefferson, Ga., and The New First National Bank of Jackson County, Jefferson, Ga.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The New First National Bank of Jackson County, Jefferson, Ga. (9039), with	$ 120,000	0	
and The First National Bank of Jackson County, Jefferson, Ga. (9039), which had	24,599,000	2	
consolidated April 2, 1984, under charter and title of the latter. The consolidated bank at date of consolidation had	24,599,000		2
The resulting bank is a subsidiary of First Jackson Bancorp, Jefferson, Ga.			

* * *

MERCANTILE NATIONAL BANK OF KINGSVILLE,
Kingsville, Tex., and New Mercantile National Bank of Kingsville, Kingsville, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Mercantile National Bank of Kingsville, Kingsville, Tex. (15175), with	$35,275,536	1	
and New Mercantile National Bank of Kingsville, Kingsville, Tex. (15175), which had	120,000	0	
merged April 2, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	35,395,536		1
The resulting bank is a subsidiary of Victoria Bankshares, Inc., Victoria, Tex.			

* * *

THE FIRST NATIONAL BANK OF BELEN,
Belen, N.M., and The Belen National Bank, Belen, N.M.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The First National Bank of Belen, Belen, N.M. (6597), with	$116,413,000	1	
and The Belen National Bank, Belen, N.M. (6597), which had	120,000	0	
consolidated Apr. [illegible], 1984, under charter and title of the former. The consolidated bank at date of consolidation had	116,413,000		1
The resulting bank is a subsidiary of American Republic Bancshares, Inc., Belen, N.M.			

* * *

CITIZENS NATIONAL BANK OF PAINTSVILLE,
Paintsville, Ky., and CNB National Bank, Paintsville, Ky.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Citizens National Bank of Paintsville, Paintsville, Ky. (13023), with	$97,548,058	4	
and CNB National Bank, Paintsville, Ky. (13023), which had	60,000	0	
merged April 11, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	97,548,058		4
The resulting bank is a subsidiary of Citizens National Corporation, Paintsville, Ky.			

* * *

THE HILLSBORO NATIONAL BANK,
Hillsboro, Ill., and HNB Bank, National Association, Hillsboro, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Hillsboro National Bank, Hillsboro, Ill. (2789), with	$71,014,000	1	
and HNB Bank, National Association, Hillsboro, Ill. (2789), which had	60,000	0	
merged April 17, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of HNB Bancorp., Inc., Hillsboro, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FRANKLIN NATIONAL BANK
Mount Vernon, Tex., and Franklin National Association, Mount Vernon, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Franklin National Bank, Mount Vernon, Tex. (17055), with	$19,625,433	1	
and Franklin National Association, Mount Vernon, Tex. (17055), which had	70,100	0	
merged April 18, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	19,695,533		1
The resulting bank is a subsidiary of Franklin National Bankshares, Inc., Mount Vernon, Tex.			

* * *

AMBOY-MADISON NATIONAL BANK,
Old Bridge Township, N.J., and Amboy Bank, N.A., Old Bridge Township, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Amboy-Madison National Bank, Old Bridge Township, N.J. (3878), with	$213,208,000	7	
and Amboy Bank, N.A., Old Bridge Township, N.J. (3878), which had	240,000	0	
merged April 19, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			7
The resulting bank is a subsidiary of Amboy Madison Bancorp., Old Bridge Township, N.J.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

COUNTY NATIONAL BANK
Clearfield, Pa., and County Interim National Bank, Clearfield, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
County National Bank, Clearfield, Pa. (13998), with	$172,871,000	1	
and County Interim National Bank, Clearfield, Pa. (13988), which had	120,000	0	
merged April 26, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of CNB Financial Corporation.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST CITIZENS NATIONAL BANK,
Mansfield, Pa., and FCNB National Bank, Mansfield, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First Citizens National Bank, Mansfield, Pa. (13618), with	$74,198,568	1	
and FCNB National Bank, Mansfield, Pa. (13618), which had	60,000	0	
merged April 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	74,198,568		1
The resulting bank is a subsidiary of Citizens Financial Services, Inc.			

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FIRST NATIONAL BANK IN GRAND FORKS,
Grand Forks, N.D., and New National Bank in Grand Forks, Grand Forks, N.D.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank in Grand Forks, Grand Forks, N.D. (13790), with	$177,990,718	3	
and New National Bank in Grand Forks, Grand Forks, N.D. (13790), which had	127,000	0	
merged April 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	178,117,718		3
The resulting bank is a subsidiary of First National Corporation, Grand Forks, N.D.			

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THE FIRST NATIONAL BANK OF LONG ISLAND,
Glen Head, N.Y., and First Interim Bank of Long Island, National Association, Glen Head, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Long Island, Glen Head, N.Y. (13126), with	$125,434,000	6	
and First Interim Bank of Long Island, National Association, Glen Head, N.Y. (13126), which had	120,000	0	
merged April 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			6
The resulting bank is a subsidiary of The First of Long Island Corporation, Glen Head, N.Y.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

PENN CENTRAL NATIONAL BANK,
Huntingdon, Pa., and PCNB National Bank, Huntingdon, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Penn Central National Bank, Huntingdon, Pa. (31), with	$110,000,000	7	
and PCNB National Bank, Huntingdon, Pa. (31), which had	120,000	0	
merged April 30, 1984, under the charter of the latter and title of the former. The merged bank at date of merger had	110,000,000		7
The resulting bank is a subsidiary of Penn Central Bancorp, Inc., Huntingdon, Pa.			

* * *

THE TELL CITY NATIONAL BANK,
Tell City, Ind., and First of Tell City National Bank, Tell City, Ind.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Tell City National Bank, Tell City, Ind. (5756), with	$71,025,944	3	
and First of Tell City National Bank, Tell City, Ind. (5756), which had	120,000	0	
merged April 30, 1984, under charter of the latter and with the title of "Tell City National Bank." The merged bank at date of merger had	70,905,944		3
The resulting bank is a subsidiary of Tell City National Bancorp, Tell City, Ind.			

* * *

FIRST GALESBURG NATIONAL BANK & TRUST COMPANY,
Galesburg, Ill., and Galesburg National Bank, Galesburg, Ill.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First Galesburg National Bank & Trust Company, Galesburg, Ill. (241), with	$152,182,000	3	
and Galesburg National Bank, Galesburg, Ill. (241), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			3
The resulting bank is a subsidiary of First Illini Bancorp, Inc., Galesburg, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST NATIONAL BANK IN PHILIPPI,
Philippi, W. Va., and Philippi Bank, National Association, Philippi, W. Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank in Philippi, Philippi, W. Va. (14053), with	$46,732,403	1	
and Philippi Bank, National Association, Philippi, W. Va. (14053), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	46,732,403		1
The resulting bank is a subsidiary of Union Bancorp of West Virginia, Inc.			

* * *

THE FIRST NATIONAL BANK OF JEANERETTE,
Jeanerette, La., and FNBJ National Bank, Jeanerette, La.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Jeanerette, Jeanerette, La. (7768), with	$38,892,000	2	
and FNBJ National Bank, Jeanerette, La. (7768), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of Jeanerette First National Bancorp, Inc., Jeanerette, La.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE NEW IBERIA NATIONAL BANK,
New Iberia, La., and NNB National Bank, New Iberia, La.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The New Iberia National Bank, New Iberia, La. (3671), with	$101,891,160	6	
and NNB National Bank, New Iberia, (3671), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	101,891,160		6
The resulting bank is a subsidiary of New Iberia National Bancorp, Inc., New Iberia, La.			

* * *

THE PARKERSBURG NATIONAL BANK,
Parkersburg, W. Va., and United Bank, National Association, Parkersburg, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Parkersburg National Bank, Parkersburg, W. Va. (1427), with	$301,892,000	5	
and United Bank, National Association, Parkersburg, W. Va. (1427), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			5
The resulting bank is a subsidiary of United Bankshares, Inc., Parkersburg, W. Va.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE SEYMOUR NATIONAL BANK,
Seymour, Ind., and SNB National Bank, Seymour, Ind.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Seymour National Bank, Seymour, Ind. (4652), with	$55,850,000	1	
and SNB National Bank, Seymour, Ind. (4652), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of Mid-Southern Indiana Bancorp., Seymour, Ind.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

UNION CENTRAL NATIONAL BANK,
Vienna, W. Va., and Union Central Bank, National Association, Vienna, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Union Central National Bank, Vienna, W. Va. (16137), with	$9,960,000	1	
and Union Central Bank, National Association, Vienna, W. Va. (16137), which had	120,000	0	
merged May 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of United Bankshares, Inc., Vienna, W. Va.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

FIRST NATIONAL TRUST BANK,
Sunbury, Pa., and First Interim National Trust Bank, Sunbury, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Trust Bank, Sunbury, Pa. (1237), with	$191,522,000	8	
and First Interim National Trust Bank, Sunbury, Pa. (1237), which had	120,000	0	
merged May 3, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			8
The resulting bank is a subsidiary of FNT Bancorp, Inc., Sunbury, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK OF LAKE FOREST,
Lake Forest, Ill., and First National Bank of Lake Forest Interim National Bank, Lake Forest, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of Lake Forest, Lake Forest, Ill. (8937), with	$291,321,365	3	
and First National Bank of Lake Forest Interim National Bank, Lake Forest, Ill. (8397), which had	120,000	0	
merged May 4, 1984, under charter of the latter and title of the former.			
The merged bank at date of merger had	291,321,365		3
The resulting bank is a subsidiary of First Lake Forest Corporation.			

* * *

THE LOWELL NATIONAL BANK,
Lowell, Ind., and Lowell National Interim Bank, Lowell, Ind.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Lowell National Bank, Lowell, Ind. (6765), with	$93,750,000	3	
and Lowell National Interim Bank, Lowell, Ind. (6765), which had	120,000	0	
merged May 8, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			3
The resulting bank is a subsidiary of Lowell National Bancorp, Lowell, Indiana.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE FARMERS AND MERCHANTS NATIONAL BANK OF STANLEY,
Stanley, Va., and Stanley National Bank, Stanley, Va.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The Farmers and Merchants National Bank of Stanley, Stanley, Va. (10973), with	$28,519,000	2	
and Stanley National Bank, Stanley, Va. (10973), which had	70,800	0	
merged May 11, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of Page Bankshares, Inc.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FIRST NATIONAL BANK OF CENTRE HALL,
Centre Hall, Pa., and Centre Hall Interim National Bank, Centre Hall, Pa.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The First National Bank of Centre Hall, Centre Hall, Pa. (12192), with	$17,671,000	1	
and Centre Hall Interim National Bank, Centre Hall, Pa. (12192), which had	120,000	0	
merged May 15, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of First National Bancorp, Inc., Centre Hall, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FIRST NATIONAL BANK OF VANDALIA,
Vandalia, Ill., and Interim National Bank of Vandalia, Vandalia, Ill.

Names of banks and type of transaction	Total assets*	Banking offices In operation	Banking offices To be operated
The First National Bank of Vandalia, Vandalia, Ill. (4994), with	$60,905,000	2	
and Interim National Bank of Vandalia, Vandalia, Ill. (4994), which had	60,000	0	
consolidated May 15, 1984, under charter and title of the former. The consolidated bank at date of consolidation had			2
The resulting bank is a subsidiary of First Vandalia Corp., Vandalia, Ill.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FARMERS AND MERCHANTS NATIONAL BANK OF BRIDGETON,
Bridgeton, N.J., and The New Farmers and Merchants National Bank, Bridgeton, N.J.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Farmers and Merchants National Bank of Bridgeton, Bridgeton, N.J. (9498), with	$123,070,000	1	
and The New Farmers and Merchants National Bank, Bridgeton, N.J. (9498), which had	120,000	0	
merged May 22, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			1
The resulting bank is a subsidiary of Southern Jersey Bancorp.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

COLLIN CREEK BANK, NATIONAL ASSOCIATION,
Plano, Tex., and Allied Bank Plano, National Association, Houston, Tex.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Allied Bank Plano, National Association, Houston, Tex. (17059), with	$ 240,000	0	
and Collin Creek Bank, National Association, Plano, Tex. (17059), which had	17,113,000	1	
consolidated May 31, 1984, under charter and title of the former. The consolidated bank at date of consolidation had			1
The resulting bank is a subsidiary of Allied Bancshares, Inc., Houston, Tex.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK OF MUSCATINE,
Muscatine, Iowa, and First Interim National Bank of Muscatine, Muscatine, Iowa

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
First National Bank of Muscatine, Muscatine, Iowa (15579), with	$148,606,000	5	
and First Interim National Bank of Muscatine, Muscatine, Iowa (15579), which had	120,000	0	
consolidated May 31, 1984, under the charter and title of the former. The consolidated bank at date of consolidation has			5
The resulting bank is a subsidiary of Iowa First Bancshares Corp., Muscatine, Iowa.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

MERCANTILE NATIONAL BANK
Los Angeles, Calif., and Interim Mercantile National Bank, Los Angeles, Calif.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Mercantile National Bank, Los Angeles, Calif. (17220), with	$87,797,000	1	______
and Interim Mercantile National Bank, Los Angeles, Calif. (17220), which had	250,000	0	______
merged May 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	1
The resulting bank is a subsidiary of National Mercantile Bancorp., Los Angeles, Calif.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

SECURITY NATIONAL BANK & TRUST CO.,
Wheeling, W. Va., and JHF National Bank, Wheeling, W. Va.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Security National Bank & Trust Co., Wheeling, W. Va. (1424), with	$157,357,643	2	______
and JHF National Bank, Wheeling, W. Va. (1424), which had	120,000	0	______
merged May 31, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	157,357,643	______	2
The resulting bank is a subsidiary of Spectrum Financial Corporation.			

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BALLSTON SPA NATIONAL BANK,
Ballston Spa, N.Y., and New Ballston Spa National Bank, Ballston Spa, N.Y.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Ballston Spa National Bank, Ballston Spa, N.Y. (1253), with	$52,304,000	5	______
and New Ballston Spa National Bank, Ballston Spa, N.Y. (1253), which had	120,000	0	______
consolidated June 1, 1984, under charter and title of the former. The consolidated bank at date of consolidation had		______	5
The resulting bank is a subsidiary of Ballston Spa Bancorp, Inc., Ballston Spa, N.Y.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK,
Greencastle, Pa., and Greencastle Interim National Bank, Greencastle, Pa.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank, Greencastle, Pa. (1081), with	$65,662,531	4	
and Greencastle Interim National Bank, Greencastle, Pa. (1081), which had	120,000	0	
merged June 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	65,662,531		4
The resulting bank is a subsidiary of Tower Bancorp, Inc., Greencastle, Pa.			

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THE FIRST NATIONAL BANK OF MONROE,
Monroe, Wis., and GC National Bank, Monroe, Wis.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Monroe, Monroe, Wis. (230), with	$92,560,000	2	
and GC National Bank, Monroe, Wis. (230), which had	120,000	0	
merged June 1, 1984, under charter of the latter and title of the former. The merged bank at date of merger had			2
The resulting bank is a subsidiary of First National Bancorp, Inc.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE HERRING NATIONAL BANK OF VERNON,
Vernon, Tex., and The New Herring National Bank of Vernon, Vernon, Tex.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Herring National Bank of Vernon, Vernon, Tex. (7010) with	$76,465,000	1	
and The New Herring National Bank of Vernon, Vernon, Tex. (7010), which had	120,000	0	
consolidated June 4, 1984, under charter and title of the former. The consolidated bank at date of consolidation had	76,465,000		1
The resulting bank is a subsidiary of Herring Bancorp, Inc., Vernon, Tex.			

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ROCK FALLS NATIONAL BANK,
Rock Falls, Ill., and Republic National Bank of Rock Falls, Rock Falls, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
Rock Falls National Bank, Rock Falls, Ill. (14520), with	$47,707,890	1	
and Republic National Bank of Rock Falls, Rock Falls, Ill. (14520), which had	120,000	0	
merged June 11, 1984, under charter of the latter and title of the former. The merged bank at date of merger had	47,707,890		1
The resulting bank is a subsidiary of Rock Falls Bancshares, Inc., Rock Falls, Ill.			

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FIRST AMERICAN BANK, NATIONAL ASSOCIATION,
Washington, D.C., and First American Bank, N.A., Washington, D.C.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
First American Bank, National Association, Washington, D.C. (2038), with	$1,045,748,000	22	———
and First American Bank, N.A., Washington, D.C. (2038), which had	4,971,780	0	———
consolidated June 12, 1984, under charter and title of the former. The consolidated bank at date of consolidation had		———	22
The resulting bank is a subsidiary of UT Securities Corporation.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE MERCHANTS AND MINERS NATIONAL BANK,
Oak Hill, W. Va., and M & M Bank, National Association, Oak Hill, W. Va.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The Merchants and Miners National Bank, Oak Hill, W. Va. (13885), with	$61,259,000	1	———
and M & M Bank, National Association, Oak Hill, W. Va. (13885), which had	120,000	0	———
merged June 18, 1984, under charter of the latter and title of the former		———	1
The resulting bank is a subsidiary of M & M Financial Corp., Oak Hill, W. Va.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE WOOD RIDGE NATIONAL BANK,
Wood Ridge, N.J., and The Second Wood Ridge National Bank, Wood Ridge, N.J.

Names of banks and type of transaction	*Total assets**	*Banking offices*	
		In operation	*To be operated*
The Wood Ridge National Bank, Wood Ridge, N.J. (13265), with	$76,105,000	3	———
and The Second Wood Ridge National Bank, Wood Ridge, N.J. (13265), which had	120,000	0	———
merged June 22, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		———	3
The resulting bank is a subsidiary of Commercial Bancshares, Inc., Jersey City, N.J.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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RALEIGH COUNTY NATIONAL BANK,
Beckley, W. Va., and Big Clock National Bank, Beckley, W. Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Raleigh County National Bank, Beckley, W. Va. (16002), with	$174,879,000	1	______
and Big Clock National Bank, Beckley, W. Va. (16002), which had	120,000	0	______
merged June 26, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	1
The resulting bank is a subsidiary of Summit Holding Corporation, Beckley, W. Va.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FARMERS AND MERCHANTS NATIONAL BANK OF CARLINVILLE,
Carlinville, Ill., and FMBC National Bank, Carlinville, Ill.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
The Farmers and Merchants National Bank of Carlinville, Carlinville, Ill. (13966) which had	$44,468,173	1	______
and FMBC National Bank, Carlinville, Ill. (13966), which had	150,000	0	______
merged June 29, 1984, under charter of the latter and title of the former.			
The merged bank at date of merger had	44,623,173	______	1
The resulting bank is a subsidiary of Central Bank Systems, Inc.			

* * *

ROCK HILL NATIONAL BANK,
Rock Hill, S.C., and New Rock Hill National Bank, Rock Hill, S.C.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
Rock Hill National Bank, Rock Hill, S.C. (14448), with	$141,814,000	9	______
and New Rock Hill National Bank, Rock Hill, S.C. (14448), which had	120,000	0	______
consolidated June 29, 1984, under charter and title of the former. The consolidated bank at date of consolidation had		______	9
The resulting bank is a subsidiary of RHNB Corporation, Rock Hill, S.C.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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THE FAUQUIER NATIONAL BANK OF WARRENTON,
Warrenton, Va., and Fauquier Bank, N.A., Warrenton, Va.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Fauquier National Bank of Warrenton, Warrenton, Va. (6126), with	$66,039,000	5	______
and Fauquier Bank, N.A., Warrenton, Va. (6126), which had	60,000	0	______
merged June 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	5
The resulting bank is a subsidiary of Fauquier National Bancshares, Warrenton, Va.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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FIRST NATIONAL BANK OF MCMINNVILLE,
McMinnville, Tenn., and McMinnville Interim National Bank, McMinnville, Tenn.

Names of banks and type of transaction	Total assets	Banking offices	
		In operation	To be operated
First National Bank of McMinnville, McMinnville, Tenn. (5221), with	$80,325,000	4	______
and McMinnville Interim National Bank, McMinnville, Tenn. (5221), which had	120,000	0	______
merged June 30, 1984, under charter and title of the latter. The merged bank at date of merger had	80,325,000	______	4
The resulting bank is a subsidiary of First McMinnville Corporation.			

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THE FIRST NATIONAL BANK OF PORTSMOUTH,
Portsmouth, N.H., and Portsmouth National Bank, Portsmouth, N.H.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The First National Bank of Portsmouth, Portsmouth, N.H. (19), with	$126,406,000	6	______
and Portsmouth National Bank, Portsmouth, N.H. (19), which had	120,000	0	______
merged June 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	6
The resulting bank is a subsidiary of First Coastal Banks, Inc., Portsmouth, N.H.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

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MCKEESPORT NATIONAL BANK,
McKeesport, Pa., and Interim McKeesport National Bank, McKeesport, Pa

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
McKeesport National Bank, McKeesport, Pa. (4625), with	$97,545,000	1	______
and Interim McKeesport National Bank, McKeesport, Pa. (4625), which had	120,000	0	______
merged June 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	1
The resulting bank is a subsidiary of McKeesport National Corporation.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

THE PEN ARGYL NATIONAL BANK,
Pen Argyl, Pa., and PANB National Bank, Pen Argyl, Pa.

Names of banks and type of transaction	Total assets*	Banking offices	
		In operation	To be operated
The Pen Argyl National Bank, Pen Argyl, Pa. (7710), with	$61,606,000	3	______
and PANB National Bank, Pen Argyl, Pa. (7710), which had	60,000	0	______
merged June 30, 1984, under charter of the latter and title of the former. The merged bank at date of merger had		______	3
The resulting bank is a subsidiary of Albion Bancorp, Inc., Pen Argyl, Pa.			

* Asset figures are from the organizing information for the organizing bank and from the March 31, 1984, report of condition for the operating bank. Information as of date of consummation was not available at press time.

* * *

GIRARD BANK
Bala Cynwyd, Pa., and Heritage Bank, National Association, Jamesburg, N.J.

Names of banks and type of transaction

Girard Bank, Bala Cynwyd, Pa., and Heritage Bank, National Association, Jamesburg, N.J., applied for permission on November 29, 1983, to merge under charter of the latter and title of "Mellon Bank (East) National Association." The application was approved March 27, 1984. The pending merger was challenged by the Justice Department and is presently in litigation.

COMPTROLLER'S DECISION

An application was filed on November 29, 1983, with the Office of the Comptroller of the Currency (OCC) for prior authorization to merge Girard Bank, Bala Cynwyd, Pa. (Girard), into Heritage Bank, National Association, Jamesburg, N.J. (Heritage). The resulting national bank will be entitled Mellon Bank (East) National Association (Mellon East). The application is based upon an agreement executed by the proponents on October 3, 1983. Following the merger, Heritage Bancorporation will be a shell corporation (having no business operations or debt) and, instead of being liquidated, will be merged into Mellon National Corporation because of tax and related corporate considerations.

As of September 30, 1983, Girard held total deposits of $2.6 billion and operated 84 offices in the Philadelphia Standard Metropolitan Statistical Area (SMSA) and three offices in Lehigh County. Girard is a wholly owned subsidiary of Mellon National Corporation (Mellon), the fourteenth largest commercial banking organization in the United States and the largest in Pennsylvania. Mellon's four subsidiary banks hold total deposits of $15.8 billion. One of these subsidiary banks, Girard Bank Delaware National Association, Wilmington, Delaware (Girard Delaware), the successor to Farmers Bank of Delaware, operates 29 offices in the Wilmington SMSA.

Heritage, as of the same date, held total deposits of $1.5 billion and operated 38 offices in the Philadelphia SMSA (including one in the City of Philadelphia), six offices in the Wilmington SMSA and 48 in nine counties throughout central and southern New Jersey. (These numbers reflect, on a *pro forma* basis, the merger between Heritage and The City National Bank and Trust Company of Salem, both majority owned subsidiaries of Heritage Bancoporation, which was effective March 1, 1984.) Heritage's Philadelphia branch was established in 1813 to serve New Jersey farmers selling produce in Philadelphia markets. The Philadelphia branch was "grandfathered" under 12 USC 36(a). [illegible] v. *[illegible]*, 395 F. Supp. 794, 796 [illegible] *Lewis Charles, Inc.* [illegible] (Super. Ct. of Pa. 1968), *cert. den.*, 393 U.S. 952 (1968). It is now, and has long been, a full service branch which competes with other Philadelphia banks in active solicitation for Philadelphia customers. *Id.*

If the proposed transaction is to be consummated, it must be approved by the Comptroller under 12 USC 1828(c), 215a and 36(b). Additionally, under 12 USC 2903, the Comptroller must consider the applicant's record of meeting the credit needs of the communities served. Each of these statutes will be discussed in turn.

Analysis Under Section 1828(c)

The Bank Merger ACt, 12 USC 1828(c), requires that the Comptroller approve any merger between insured banks where the resulting institution will be a national bank. However, the Comptroller generally may not approve a merger which would substantially lessen competition. Additionally, he is required to consider the "banking factors" which include the financial and managerial resources and future prospects of the existing and proposed institutions, and the convenience and needs of the community to be served. For the reasons stated below, I find that the subject transaction may be approved under 12 USC 1828(c), and I hereby approve it.

Analysis of Competitive Factors

There are two separate relevant geographic markets for this proposal: the Philadelphia SMSA and the Wilmington SMSA. The Philadelphia SMSA consists of five counties in Pennsylvania (Bucks, Chester, Delaware, Montgomery and Philadelphia) and three counties in New Jersey (Burlington, Camden and Gloucester). Within this market, there are 47 commercial banks holding deposits of $22 billion and more than 100 thrift institutions holding deposits of $21 billion.

Within the Philadelphia market, it is the opinion of this Office that thrift institutions have developed into substantial competitors of commercial banks. This Office has previously decided that thrift institutions in the State of New Jersey must be included in the relevant

lines of commerce. *Decision of the Comptroller of the Currency on the Application to Merge Guarantee Bank, Atlantic City, New Jersey into The First Jersey National Bank South, Manahawkin, New Jersey,* December 13, 1983. Federal and state legislation (both in New Jersey and Pennsylvania) has granted thrifts broad asset and liability powers enabling them to provide a virtually identical cluster of products and services to these provided by commercial banks. Thrifts in the Philadelphia SMSA are now empowered to accept commercial demand deposits, make customer loans and make short term and unsecured commercial loans.

In the past 3 years, thrift deposits have increased at a faster rate than commercial bank deposits and, in mid-1982, thrifts held nearly 50 percent of all deposits held by financial institutions in the Philadelphia SMSA. The largest financial institution in the market is a thrift, holding more than twice the amount of deposits held by the second largest institution; three of the ten largest financial institutions in the market are thrifts.

Philadelphia thrifts aggressively advertise consumer loan services and, based on the substantial inroads made in transaction deposit accounts, it can be reasonably inferred that the thrifts are also adequately serving the consumers' loan demands. Further, there is no reason not to expect the thrifts to continue to increase, up to the maximum percentage allowable under present legislation, their consumer loan portfolio.

In the commercial loan market, the largest thrift in the market had booked more than $300 million in commercial loans and commitments within 1 year of the enabling state legislation. The commercial lending activities of thrifts will continue to accelerate as they gain additional experience and recognition as a source of commercial loans.

Based on the above analysis, it is the opinion of this Office that thrifts in the Philadelphia SMSA must be included in the relevant line of commerce.

The Philadelphia market is unconcentrated with a Herfindahl-Hirschman Index (HHI) of 627 before the proposed merger and 639 after the proposed merger, an increase of 12. Girard is the fifth largest institution in the market with a 4.7 percent market share. The resulting bank will become the fourth largest with a 6.0 percent market share. While consummation of the proposal will reduce the number of competitors in the market by one, the effect is insignificant given the small market share hold by each institution and the substantial number of alternative financial institutions in the market.

Within the Wilmington SMSA there are 27 commercial banks holding deposits of $3.1 billion and 11 thrifts holding total deposits of $1.2 billion. Heritage has a 1.3 percent market share and Girard Delaware a 3.1 percent market share. After consummation, the resulting bank will remain the sixth largest commercial bank and ninth largest financial institution in this moderately concentrated market. Due to the large number of alternative competitors and the small market share of each bank, consummation of the proposed merger will not have a significant effect on competition in the Wilmington SMSA.

Analysis of Banking Factors

The Bank Merger Act requires the Office to consider ". . . the financial and managerial resources and future prospects of the existing and proposed institutions and the convenience and needs of the community to be served." The financial and managerial resources of both banks are satisfactory. The future prospects of the proponents, individually and combined, are considered favorable, as are the expected effects of the proposal on the convenience and needs of the community to be served.

Community Reinvestment Act—Section 2193

A review of the record of this application and other information available to this Office as a result of its regulatory responsibilities revealed no evidence that the applicants' record of helping to meet the credit needs of their communities, including low and moderate income neighborhoods, are less than satisfactory.

Analysis under Section 215a

Pursuant to 12 USC 215a, "one or more State banks . . . may merge into a national banking association *located within the same State*. . . ." (Emphasis added.) Thus, for the subject merger to be lawful under Section 215a, Heritage and Girard must be "located" within the same state. As noted above, Heritage and its predecessors have long maintained a grandfathered branch office in Philadelphia. Therefore, the core issue is whether the term "located" in Section 215a includes both branch and main office sites or is restricted to the main office.[1] For the reasons stated below, I conclude that a national bank is "located" for purposes of Section 215a at both its branch and main offices.

The word "locate" usually means "to take up one's residence, establish oneself or one's business." *Web-*

[1] Under 12 USC 22, the organization certificate for a new national bank must specify "the place where its operations of discount and deposit are carried on . . ." Traditionally, that place has been called the bank's "main office," as distinct from a "branch office" established under Section 36. *See* 12 USC 30 and 36(b)(2).

ster's Third New International Dictionary, Third Edition (1971). Thus, there is nothing in the usual meaning of the statutory term which would preclude a national bank from being deemed "located" at its branch offices.

The legislative history of Section 215a, while sparse, also establishes that a bank may be "located" at its branch sites. The predecessor to Section 215a was 12 USC 34a which empowered national banks to consolidate with state banks. When Section 34a was initially enacted in 1918, it provided that a state bank could be consolidated with a national bank "located in the same county, city, town or village . . ." However, in 1933 when Section 36(c) was amended to permit national banks to establish branches "at any point within the State in which said association is situated", Section 34a was similarly amended to permit national banks to consolidate with state banks "located in the same *State*, county, city, town, or village." (Emphasis added.) 48 Stat. 190. The addition of the word "State" to Section 34a was done for the express purpose of rendering its provisions consistent with the expanded branching powers of national banks under the amended Section 36. *See* H. Rep. No. 150, 73rd Cong., 1st Sess., p. 4 (1933); S. Rep. No. 77, 73rd Cong., 1st Sess., pp. 16–17 (1933), and S. Rep. No. 584, 72nd Cong., 2st Sess., p. 16 (1932). Thus, it is clear that Congress intended the geographic range of potential consolidation target institutions for a national bank to be coextensive with the geographic range of its potential sites.[2]

Accordingly, under the terms of the predecessor statute to Section 215a, a national bank could consolidate with a state bank located in any state in which the national bank could establish a branch. The subsequent recodification of Section 34a as Section 215a was not intended to change this rule. *See* S. Rep. No. 730, 86th Cong., 1st Sess p. 6 (1959). As discussed below, OCC has concluded (and continues to conclude) that under Section 36(c) a national bank is "situated" in and, thus, may establish a branch in any state in which it already has a branch office. It follows that under Section 215a a national bank may merge with a state bank in any state in which it already has a branch office. In other words, for purposes of Section 215a a national bank is "located" in any state in which it has a branch.

However, it has been argued that in 1918 when Section 34a was enacted as part of the National Bank Consolidation Act, it is impossible that Congress could have intended national banks to be deemed "located" at their branch sites because at that time national banks could lawfully have no branches. This argument is unpersuasive for two reasons.

First, the argument is historically inaccurate. It is true that in 1918 the authority of national banks to establish *de novo* branches was unclear. *See* Robertson, *The Comptroller and Bank Supervision* pp. 81–85 and 101–105 (1968). However, there were at that time other lawful ways for national banks to acquire or maintain branch offices. In 1865, Congress enacted the initial version of Section 36 which permitted any state bank converting to a national charter "to keep and retain in operation its branches." R.S. Section 5155, 13 Stat. 484. By 1915, there were 12 such national banks operating a total of 26 branches. 24 Fed. Res. Bull. 880 (1938). *See also*, Robertson, *supra*, p. 100 n 16. However, it was the National Bank Consolidation Act of 1918, itself, which provided the predominant method for national banks to acquire branches prior to the McFadden Act. National banks wanting branch offices would simply consolidate under Section 34a with a state bank which had the desired offices. To retain the branches, the target state bank would convert to a national charter before the consolidation. Using this method, national banks had acquired 121 branches by 1926. *See* Ginsburg, D., "Interstate Banking", 9 Hofstra L.R. 1133, 1153 (1981). *See also*, Robertson, *supra*, at 101–102. It would be most anomalous to argue that Congress, when enacting the Consolidation Act of 1918, could not posit the existence of national bank branches when, in fact, not only did such offices then exist, but that very Act became a principal device by which their numbers were increased.

Second, even assuming *arguendo* the historical validity of the argument, it lacks force because the Supreme Court has considered and rejected the same argument in a closely analogous case. In *Citizens and Southern National Bank v. Bougas*, 434 U.S. 35 (1977), the Court was presented with the issue of whether under 12 USC 94, which defined permissible venue for suits against national banks, national banks could be deemed "located" at their branch offices. It was argued that because Section 94, like Section 34a, was enacted prior to the McFadden Act, Congress could not have conceived of national bank branches and, hence, could not have intended that national banks be "located" at such offices. The Court dis-

[2] This is logical because under the terms of Section 36(b) as it was [illegible] branches of the consolidating banks which were [illegible] after the passage of the McFadden Act in 1927 and [illegible] under Section 36(a) would have to [illegible] In other words, such [illegible] the consolidation only if they [illegible] established de novo. Thus, [illegible] geographically through [illegible] by Congress to be [illegible]

agreed. Although accepting the correctness of the historical analysis, the Court stressed that there "is no enduring rigidity about the word "located" and that the term should be construed to effectuate congressional policies in light of the present realities of the banking system. 434 U.S. at 44. The same reationale, and the same result, should obtain with respect to Section 215a. Even granting that Congress did not conceive of branch offices when it first enacted Section 34a, such offices have subsequently become a major factor in the geographic scope of operations by national banks and the word "locate" is sufficiently flexible to incorporate them. Moreover, as noted above, a subsequent amendment to Section 34a indicated that Congress intended that statute to be read in light of the branching powers of national banks.

Case authority supports this interpretation of the word "located" in Section 215a. As just discussed, the Supreme Court has held that the same word in Section 94 includes branch sites. *Citizens and Southern National Bank* v. *Bougas, supra*. This holding was cited with approval by the Court in construing 12 USC 85. *Marquette National Bank* v. *First of Omaha Service Corp.*, 439 U.S. 299, 309 n.21 (1978).[3] Additionally, another federal court, in dicta, has construed the word "located" in 12 USC 24 (Eighth), 85, 90, and 92a to reference branch offices as well as main offices. *Seattle Trust & Savings Bank* v. *Bank of California, N.A.*, 492 F.2d 48, 51 (9th Cir. 1974), *cert. denied*, 419 U.S. 844 (1974).

There is some contrary authority, but it is not persuasive. In *National City Bank* v. *Domenech*, 71 F.2d 13 (1st Cir. 1934), *aff'd on other grds.*, 294 U.S. 199 (1935), the term "located" in 12 USC 548 was held not to include branch office locations. However, as Justice Stewart observed in his concurring opinion in *Bougas, supra,* the *Domenech* case does not present a compelling analogy to other sections of the National Bank Act. 434 U.S. 46, n. Moreover, when Congress amended Section 548 in 1969 (Pub. L. 91-156) it changed the key phrase to "State . . . within which its principal office is located." Thus, Congress, wanting to limit state taxation of national banks with interstate operations, recognized the need to limit the term "located" by specifying the principal rather than branch offices. *Cf.* S. Rep. No. 91-530, 91st Cong., 1st Sess. (1969). This indicates that Congress was aware that, without such specificity, the term "located" would encompass additional offices.

The remaining cases cited as supporting a contrary interpretation are inapposite. *American Surety* v. *Bank of California*, 133 F.2d 160 (9th Cir. 1943), interpreted the predecessor to the diversity jurisdiction statute, 28 USC 1348, and analogized to the established jurisdictional rule that a corporation is a citizen of the state in which it is organized. *Leonardi* v. *Chase National Bank*, 81 F.2d 19 (2nd Cir. 1936), *cert. denied*, 298 U.S. 677 (1936), interpreted the word "established" in Section 94, not "located."[4] Finally, *Michigan National Bank* v. *Gidney*, 237 F.2d 762 (D.C. Cir. 1956), *cert. denied*, 352 U.S. 847 (1956), dealt not with the National Bank Act, but a state law.[5]

Accordingly, I conclude that Heritage and Girard are "located" in the same state (Pennsylvania) and, hence, that I may approve that merger under Section 215a. It, therefore, becomes necessary to address the next issue: Following the merger, what branches may be retained under 12 USC 36(b)?

Analysis of Branch Retentions Under Section 36(b)

The retention of offices as branches following a merger is controlled by 12 USC 36(b). Essentially, that statute recognizes three categories of offices. Under Section 36(b)(2)(A), branches of a target state bank may be retained if the resulting national bank could lawfully establish such offices pursuant to Section 36(c). Section 36(b)(2)(B) permits a merging national bank to retain any branch which was in operation by any bank prior to February 25, 1927. Finally, Section 36(b)(2)(C) empowers a merging national bank to retain its pre-merger branches unless a state bank in an identical situation would be prohibited by state law from retaining its branches. Each category will be discussed in turn:

Grandfathered Branches

Under Section 36(b)(2)(B), branches of a bank participating in a merger which were in operation as branches of any bank on February 25, 1927 (the enactment date of the McFadden Act) may be retained with the approval of the Comptroller. Thus, under this provision, Heritage's Philadelphia branch can be retained without regard to any state law. I hereby approve the retention of that branch under Section 36(b)(2)(B).

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[3] The *Marquette* case is in no way inconsistent with the holding in *Bougas*. The Court repeatedly emphasized in *Marquette* that the relevant bank had no branch offices in a different state from its main office. Accordingly, the Court had no need to decide whether for purposes of Section 85 a national bank is "located" at its branch sites.

[4] Moreover, Justice Stewart, concurring in *Bougas, supra*, questioned the correctness of *Leonardi*. 434 U.S. at 46, N.

[5] It should be noted that this Office is on record as [illegible] the word "located" in 12 USC 73 [illegible] solely to the main office site. *See Ramapo Bank* v. *Camp*, 425 F.2d 333, 342 (3rd Cir. 1970), *cert. denied* 400 U.S. 828 (1970) (Affidavit of Comptroller Camp).

Girard Branches

Under Section 36(b)(2)(A), the main office and branch offices of a state bank which merges into a national bank may be retained if the Comptroller approves the retention and if such offices could be established as de novo branches by the resulting bank under Section 36(c). Thus, it must be determined whether Mellon East could lawfully establish new branches at the sites of Girard's main office and branches.

Section 36(c)(2) empowers a national bank to establish branches

> at any point within the State in which said association is situated, if such establishment and operation are at the time authorized to State banks by the statute law of the State in question. . . .

Thus, the key issue is whether Mellon East would be "situated" in Pennsylvania by virtue of its grandfathered Philadelphia branch.

This is not an issue of first impression for this Office and the courts. Like Heritage, the Bank of California, N.A., which has its main office in San Francisco, has grandfathered branch offices located in another state, *i.e.*, Washington. In 1970, the Bank of California applied to OCC to establish a new branch in Washington. Although the application was vigorously protested, OCC approved it in an opinion dated October 5, 1971 (the Opinion). Following an extended analysis, OCC concluded that Bank of California was, because of its grandfathered branches, "situated" in Washington for purposes of Section 36(c). *See* Opinion at pp. 5–10. Ultimately, this conclusion was affirmed by the Ninth Circuit Court of Appeals in *Seattle Trust & Savings Bank* v. *Bank of California, N.A., supra*. The rationale of the court closely tracked that of the OCC Opinion. However, the strongest argument utilized by the Court was that the National Bank Act had numerous provisions which, like Section 36, incorporated state law[6] and, thereby,

> govern the regulation of these aspects of banking by the state in which the bank is "situated" or "located" [and] . . . also insure that these national banks have rights equal to those of other banks in a particular state.
> (492 F.2d at 51.)

The Court then observed that for institutions like Bank of California with a multi-state branch network, such statutes would function properly only if the bank operations of a branch were controlled by the law of the state in which that branch was located. The court said:

> If the words "located" or "situated" in these provisions were to refer to the site of the Bank of California's corporate headquarters in San Francisco, then the Bank's performance in the State of Washington of many essential banking functions would be governed by the laws of California. The law of California would control even when these functions are carried on by non-California branches in dealings with local customers and in competition with banks subject to local state statutory limitations. Such an anomaly could not have been intended by Congress in establishing national banking policy through the National Banking Act.
> (492 F.2d at 51.)

With respect to Section 36(c) the court stated:

> Section 36(c)(1) and (2) of the Act must be interpreted in the light of congressional desire to foster a climate of "competitive equality" between national and state banks; it is not for the courts, in construing the Act, to frustrate that clear congressional purpose.
> (492 F.2d at 52.)

The court then concurred in OCC's finding that the proposed branch was needed to enable Bank of California to compete with state banks in Washington. The court also rejected an assertion that it would be contrary to the anti-interstate policy of the McFadden Act to permit Bank of California to expanded its multi-state operations. It said:

> Appellant relies upon the expressed general intent of Congress, under the Act, to proscribe or limit interstate banking. This general intent, however, is insufficient to support the strained construction here sought by appellants.
> (492 F.2d at 51 (emphasis added).)

The court was clearly correct. By grandfathering certain multi-state branch networks under Section 36(a),[7] Congress created a limited exception to its general prohibition of multi-state operations. However, in legitimizing the multi-state competitive presence of banks

[6] [illegible] (Charitable Contributions) [illegible] (False Deposits) and [illegible]

[7] The legislative history of the McFadden Act clearly establishes that Congress was aware of the Bank of California and the Heritage multi-state branch networks. *See* Hearings on S. 3316 and H.R. 8887, Senate Banking and Currency Committee, 68th Cong., 2d Sess. (1925) p. 71. *See also* 69 Cong. Rec. 9292 (1927) (Remarks of Sen. Edge of New Jersey) and 67 Cong. Rec. 2856 (1926) (Remarks of Rep. Black of Texas).

with grandfathered branches, Congress did not indicate that the scope of this exception was to be so circumscribed that the excepted institutions would be precluded from ever expanding the scope of their grandfathered operations. Indeed, there is nothing to indicate that Congress intended to discriminate against grandfathered branches in any way. Rather, 12 USC 81 was amended by the McFadden Act to provide that:

> The general business of each national banking association shall be transacted in the place specified in its organization certificate and in the branch or branches, if any, established <u>or maintained</u> by it in accordance with the provisions of Section 36 of this title.
> (44 Stat. 1229 (emphasis added).)

Grandfathered branches would be those "maintained" under Section 36. Thus, Congress indicated that national banks should have the same authority to conduct or expand its business through a grandfathered branch as through a *de novo* branch or main office.[8]

Accordingly, Mellon East would be "situated" in Pennsylvania for purposes of Section 36(c). Could it establish branches at the sites of Girard's main and branch offices under the law of Pennsylvania? For the reasons below, I find that Mellon East can establish such branches.

Under Section 904(b) of the Pennsylvania Banking Code of 1965 (7 P.S. 904(b)):

> An institution may establish branches . . . only in the same county in which its principal place of business is located in a contiguous county or in a bi-contiguous county or in a county of the first class, or of the second class or of the second class A, upon compliance with [certain] requirements. . . . (sic)

Therefore, to branch within Pennsylvania, a bank must have its "principal place of business" in Pennsylvania. For purposes of Pennsylvania law the phrase "principal place of business" is defined as

> the principal place of business designated in the articles of an institution, notwithstanding the fact that meetings of directors, the office of the chief executive officer and major business of the institution may be regularly held, situated or transacted at one or more other locations within or without the county in which the principal place of business is located
> (7 P.S. 102 (gg).)

The proposed articles of Mellon East provide that, for purposes of Pennsylvania law, its "principal place of business" will be a designated office in Philadelphia.

It can be argued that this specification in the articles is insufficient because the articles also provide that the main office of Mellon East will be located in New Jersey. Such multiple specifications, it is said, would render the Pennsylvania branching law useless because it would permit State institutions, by specifying multiple "principal places of business," to branch throughout the State and because it would permit out-of-state institutions to branch into Pennsylvania through the simple device of amending their articles. Both assertions lack merit. First, it is important to note that Mellon East proposes to specify only *one* "principal place of business" in Pennsylvania. Thus, the policies and limits of the Pennsylvania branching law will be fully applicable to it. Mellon East does not contend that it could specify more than one "principal place of business" within Pennsylvania. Second, out-of-state institutions are precluded from branching within Pennsylvania unless, like Mellon-East, they are national banks already "situated" within that State. Thus, the proposed articles do not offend Pennsylvania law.[9]

In light of its proposed articles, Mellon-East is permitted under Pennsylvania law to establish branches within Pennsylvania. The existing offices of Girard could all be lawfully established under Section 36(c) by a national bank, like Mellon East, with its "principal place of business" in Philadelphia. It follows that Mellon East may retain all those offices as branches

[8] Similarly, when Congress enacted the Douglas Amendment to the Bank Holding Company Act, it grandfathered several multi-state holding companies. The grandfathered holding companies have been permitted to expand their scope of these operations in their non-principal states. *Marshall & Isley Corp.* v. *Heimann*, 652 F.2d 685 (7th Cir. 1981), *cert. den.*, 455 U.S. 981 (1982); *South Dakota* v. *National Bank of South Dakota*, 335 F.2d 444 (8th Cir. 1964), *cert. denied* 379 U.S. 970 (1965); *Leuthold* v. *Camp*, 273 F. Supp. 695 (D. Mont. 1967), *aff'd* 405 F.2d 499 (9th Cir. 1969). This is particularly significant because the legislative history of the Douglas Amendment indicates that it was intended "to carry over into the field of holding companies the same provisions which apply for branch banking under the McFadden Act . . . ." 102 Cong. Rec. 6858 (1956) (Remarks of Sen. Douglas).

[9] This Office has already opined that the specification in Mellon East's articles of a "principal place of business" apart from its main office is permissible under the National Bank Act. *See* letter to Mark G. McGuinn from Peter C. Liebesman (January [illegible], 1984). Moreover, *Seattle Trust & Savings Bank*, *supra*, clearly stands for the proposition that a national bank with a multi-state branch network may, for purposes of branching, have a "principal place of business" in a state *other* than the one in which its main office is located.

pursuant to Section 36(b)(2)(A) [illegible] I hereby approve that retention.

Non-grandfathered Heritage Branches

Under Section 36(b)(2)(C), a national bank into which a state bank merges may, with the approval of the Comptroller, retain any branch office which was in operation as a branch of the receiving national bank immediately prior to the merger. However, the Comptroller may not grant such approval

> if a State bank (in a situation identical to that of the resulting national bank) resulting from the [merger] into a State bank of another bank or banks would be prohibited by the law of such State from retaining and operating as a branch an identically situated office which was a branch of the State bank immediately prior to the [merger].
> (12 USC 36(b)(2)(C).

It has been argued that OCC may not approve retention of the Heritage branches under Section 36(b)(2)(C) because Mellon East could not under the law of New Jersey establish those offices *de novo*.[11] However, this argument misconstrues the statute. As originally enacted in 1927, Section 36(b) provided:

> If a State bank is hereafter converted into or consolidated with a national banking association, or if two or more national banking associations are consolidated, such converted or consolidated association may, with respect to any of such banks, retain and operate any of their branches which may have been in lawful operation by any bank at the date of the approval of the Act [Feb. 25, 1927].

The effect of this provision was to require that a national bank surviving a merger or consolidation must "re-establish" its non grandfathered branches. Accordingly, where state law or relevant conditions had changed since the original establishment of a branch, under this statute a receiving bank could be required to divest its branch offices following a merger which were in lawful operation prior to the merger. This was perceived as an absurd result and, thus, Section 36(b) was amended to its present form. As stated in H. Rep. No. 2256, 87th Cong., 2d Sess., pp. 1–2,

> Under existing law, a national bank must close any branch established after February 25, 1927, when the national bank consolidates with any other bank, unless the branch in question could, under State law, be newly established at the time of the consolidation. The bill would permit the retention, with the approval of the Comptroller of the Currency, of any branch of the bank under whose charter the consolidation is carried out, provided that a State bank carrying out a similar consolidation would not be prohibited from retaining a similar branch.
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> * * *
>
> The purpose of the existing law is to prevent a bank from acquiring branches by taking over other banks where such branches could not legally be established under State law. However, this purpose does not apply to branches of a bank under whose charter a consolidation is carried out, and no public interest is served by requiring such a bank to give up its legally established branches already in existence. The bill removes this inequality to our national banks without departing from the purpose of the existing law. It permits the retention of those legally established branches of the national bank under whose charter the merger or consolidation is being effected, subject to the approval of the Comptroller, and subject to the absence of provisions in the appropriate law of the State *which would deny retention* in identical circumstances where the resulting bank is a State bank. In so doing, it preserves the existing permission for the retention of all branches of the banks whose charters will cease to exist by the merger or consolidation, and the retention of their main offices as branches, if such branches could be established on original application under the law of the State at the time of the merger or consolidation.
> (Emphasis added.)

See also, S. Rep. No. 2040, 87th Cong., 2d Sess., pp. 1–2.

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[11] It has been argued that because Section 36(c) refers to "*the* State in which said association is situated," it necessarily follows that Congress intended to specify that a national bank could be located in only one State for purposes of Section 36(c). This is incorrect. There is no historical basis to attach significance to the use of singular nouns in the National Bank Act. *See* Robertson, *supra* p. 87. Moreover, the Supreme Court rejected a similar argument in *Citizens & Southern National Bank v. Bougas*, *supra*, when construing Section 94 which specified venue should lie in "*the* county or city in which such association is located." The Court stated that use of a singular noun in the statute [illegible] and our experience with [illegible] congressional language [illegible] does not [illegible] weight [illegible] be attached to the use of [illegible] 94.

[illegible]

[illegible]

Thus the legislative history of Section 36(b) clearly establishes three important points. First, contrary to the argument noted above, Section 36(b)(2)(C) was intended to make clear that the state law on the establishment of branches does not control the retention of branches by a receiving national bank, although it does control the retention of target bank branches.[12] Second, Congress believed that requiring the divestiture by a receiving bank of its lawfully established branches would serve no valid public interest. Finally, because divestiture was not congressionally favored, it would be required only when state law "prohibited" branch retention by merging state banks.

The use of the word "prohibited" in Section 36(b)(2)(C) is significant. It usually means "to forbid by authority or command." *Websters Third New International Dictionary, supra.* It is an active, transitive verb which "must involve some positive act done by authority." *Rose* vs. *State,* 1 Ga. App. 596, 58 S.E. 20, 23 (Ga. App. 1907). (Emphasis added.) An action is not "prohibited" merely because there is a lack of affirmative permission or license. *Id.* Thus, under the established meaning, retention of a branch is "prohibited" by state law only where expressly forbidden by statute; the mere lack of an affirmative grant of permission to retain the branch is insufficient. This interpretation of the statute is consistent with the expressed congressional intent to disfavor any requirement of divestiture.

Accordingly, under Section 36(b)(2)(C), it is immaterial whether Mellon East could establish branches *de novo* at the Heritage office sites. Rather, pursuant to that statute, Mellon East must be permitted to retain the Heritage branches unless such retention is expressly prohibited by New Jersey law.

However, there is no such prohibition. Rather, the law of New Jersey implicitly authorizes branch retention by a "receiving bank" following a merger. Under 17:9A-139(2), N.J.S.A., a receiving bank without further application or approval may maintain its principal and branch offices at the locations specified in the merger agreement. Under 17:9A-134, N.J.S.A., which specifies the content of the merger agreement, there are no limits on the retention of existing offices by the receiving bank. Similarly, 17:9A-19, N.J.S.A., specifically authorizes the retention of branches of a merging bank but does not discuss the branches of a receiving bank.

It could be argued that this implied authorization would not apply to the Heritage-Girard transaction because if Heritage was a state bank it would not fall within the definition of a "receiving bank." Under 17:9A-132(2), N.J.S.A., a "receiving bank" is "a bank into which one or more other banks are merged." (Emphasis added). Essentially, it could be asserted that Girard is not a "bank" for purposes of New Jersey law and, hence, any bank merging with Girard would not be a "receiving bank." However, Girard is a "bank." Pursuant to 17:9A-1(1), " 'Bank' shall include the following [enumerated types of financial institutions.]" (Emphasis added.) Thus, the term "bank" is open-ended. This is in sharp contrast to the term "banking institution" which is limited to "a bank, savings bank, and a national banking association having its principal office in this State." 17:9A-1(2), N.J.S.A. Therefore, because Girard is similar in function and operation to the enumerated institutions in 17:9A-1(1) and because the word "includes" indicates that the enumeration was not intended to be exclusive, Girard comes within the definition of "bank." Further, because the definition of "receiving bank" used the term "bank," rather than the narrower term "banking institution," Heritage should be deemed a "receiving bank."[13]

Even assuming that the general permission to retain branches under New Jersey law is inapplicable to Heritage, that in itself would not preclude Heritage from retaining its branches under Section 36(b)(2)(C). As noted above, to preclude retention there must be an express prohibition, not merely lack of permission.

However, it has been argued that such a prohibition exists. There is, under 17:9A-316C, N.J.S.A., a general prohibition against any "foreign bank" maintaining an office in New Jersey. Similarly, 17:9A-19L states that "no foreign bank . . . shall establish, operate, or maintain in this State any . . . branch office . . . ." A "foreign bank" is a financial institution other than a "banking institution" which is not organized under the laws of New Jersey. 17:9A-315, N.J.S.A. Essentially, it is argued that following the merger, Mellon East would be

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[12] In summarizing the amendment, Sen. Robertson stated:

> In general, it would permit a resulting national bank to continue branches which were legally established, even through they could not now be established . . . .

Hearing before the Senate Committee on Banking and Currency, 87th Cong., 2d Sess. p. 2 (August 30, 1962).

[13] It has also been argued that retention under Section 36(b)(2)(C) is precluded because a New Jersey bank would not be permitted to merge with Girard because it is not a "bank." As noted above, the premise of this argument lacks merit. Moreover, the provision of Section 36(b)(2)(C) does not look to State law to determine whether a similar merger could be consummated; rather, such a merger is assumed. The statute looks to state law only to determine whether, following such consummation, branches [illegible]. Unlike Section 214c (merger of national bank [illegible]), Congress carefully avoided incorporating state [illegible] on mergers into Section 215a (merger of state bank [illegible]). It would be incorrect to construe Section 36(b)(2)(C) [illegible] what Congress intentionally did not [illegible] implicitly require that a [illegible]

[illegible] "principal office" would not be [illegible] in New Jersey. See 17:9A-1(2) N.J.S.A.

However, I find that the "foreign bank" prohibitions are not of the type of state law prohibitions incorporated by Section 36(b)(2)(C). To achieve its purposes of parity, that statute asks whether a state-chartered bank in an identical situation would be prohibited from retaining the branches it operated prior to a merger. In other words, Section 36(b)(2)(C) assumes as its parity test model a validly chartered state bank and, hence, must also assume all the attributes requisite to such a valid state charter. Given such assumptions, New Jersey's "foreign bank" prohibitions could never apply to such a state bank. 17:9A-315, N.J.S.A. defines a "foreign bank" as

> a corporation, other than a banking institution, organized under the laws of the United States, a territory or possession of the United States, another state, or a foreign government, which is authorized by the laws under which it is incorporated to exercise [banking powers.]
> (Emphasis added.)

The explicit reference to "another state" strongly indicates that any bank chartered under the law of New Jersey cannot be a "foreign bank." This conclusion is supported by the express exclusion of "banking institution" from the definition. As previously noted, 17:9A-1(d), N.J.S.A., provides that

> "Banking institution" shall mean a bank, a savings bank, and a national banking association having its principal office in this State. . . .

However, a validly chartered New Jersey bank cannot have its "principal office" outside of New Jersey and, thereby, become a "foreign bank." Under 17:9A-3(2), N.J.S.A., the certificate of incorporation for a New Jersey bank must state, *inter alia*, the

> street, street number, if any, and municipality in which the principal office of the bank is to be located.

Under 17:9A-1(10), N.J.S.A.

> "Municipality" shall mean a city, town, township, village and borough of this State.
> (Emphasis added.)

[illegible] "foreign bank" prohibitions could not be [illegible] New Jersey bank, which is the relevant [illegible] state law under [illegible] it necessarily follows that New Jersey's "foreign bank" prohibitions are not incorporated under that statute.

Moreover, even assuming, *arguendo*, that the "foreign bank" prohibitions are applicable, they would not prohibit the branch operations of Mellon East. Under New Jersey law, a bank's "principal office" for purposes of branching law is determined by a flexible case-by-case analysis. In *Application of Berkley Savings & Loan Ass'n*, 115 N.J. Super. 302, 279 A.2d 718, 722 (App. Div. 1971), the New Jersey Commissioner of Banking

> set forth a list of the criteria considered by him in making the determination, to wit: (a) The office with the highest volume of accounts; (b) the office with the highest volume of loans; (c) the office at which the board of directors regularly meet; (d) the office where the greatest number of senior officers are permanently located; (e) the office to which reports are made and orders emanate; (f) the office which is officially designated as the principal office; (g) the office which is known to the public as the principal office; (h) the office where a majority of the key departments are; (i) the office where the payroll and bookkeeping records are kept.

See also, *Application of Princeton Bank and Trust Co.*, 87 N.J. Super. 247, 208 A.2d 820 (App. Div. 1965), *cert. den.*, 45 N.J. 32, 210 A.2d 799 (1965).

It has been argued that under this test, the "principal office" of Mellon East will not be located in New Jersey because "Girard is over twice the size of Heritage in virtually every pertinent category." In other words, because the majority of Mellon East's loans will be made in Pennsylvania and the majority of its deposits derived from Pennsylvania, it necessarily follows that its "principal office" must be located in that state. This assertion is, however, contradicted by New Jersey law.

In *Berkley Savings and Loan*, *supra*, it was argued that a purported change of a branch office into a "principal office" was ineffective because a large portion of the institution's deposits would remain in the area of the former principal office and because that office would remain the center of the bank's deposit flow for at least a few years. The court rejected this argument citing as authority *Ramapo Bank v. Camp*, 425 F.2d 333 (3rd Cir. 1970), *cert. denied*, 400 U.S. 828 (1970), which the court said,

> held that the differentiation between the "main office [and a branch office] does not rest upon the mass transfer of customer accounts or de-

> posit moneys, nor upon the fact that the "service area" of the old site will continue to be many times greater than that of the new.
> (279 A.2d at 721.)

Similarly, in another context, a New Jersey court rejected the level of business activity as the determinative test of where a bank's "principal place of business" should be located. It observed:

> A determination of the "principal" place of business activity is not a simple, mathematical matter. There are many phases of business effort, and their evaluation in terms of the business whole may be extremely intricate and beyond satisfactory determination.

City of Passaic v. City of Clifton, 23 N.J. Super. 333, 93 A.2d 17, 20 (App. Div. 1952), *aff'd,* 12 N.J. 466, 97 A.2d 437 (1953). Therefore, the location of deposits and loans is but one factor to be considered among many; it is not accorded any particular, much less determinative, weight.

Indeed, under New Jersey law, the "principal office" of Mellon East will be located in New Jersey. The proposed articles of that bank provide that its "main office, which also shall be its principal office and head office" will be located in New Jersey. Similarly, the applicants have specifically stated to this Office that following the merger the "principal office" of Heritage would not be transferred to Pennsylvania. *Memorandum in Support of Application* (December 28, 1983), p. 28 n. Because "principal office" is the precise phrase used in 17:9A-1(d) N.J.S.A., I interpret this representation by the applicants to refer to that specific statute. This establishes that following the merger, Heritage intends to maintain its *status quo* and, thus, that its principal management officials and administrative officers will be located in New Jersey, that its board of directors will meet and issue orders from offices located in that State, that the central bookkeeping will be done there, and that the New Jersey office will be held out to the public as the principal office as is presently done. Further, the business activity of the proposed bank is not so heavily weighted towards Pennsylvania as to compel a finding that its "principal office" must be located there. Mellon East proposes to operate 91 branches in New Jersey and 88 branches in Pennsylvania. Further, as of September 30, 1983, Heritage had total deposits of $1.5 billion mostly derived from New Jersey, whereas Girard had total deposits of $2.6 billion mostly from Pennsylvania. Accordingly, Mellon East would obtain only approximately 63 percent of its deposits from Pennsylvania.

Because the "principal office" of Mellon East will be located in New Jersey, it follows that Mellon East will not be a "foreign bank." Thus, the "foreign bank" prohibitions of 17:9A-19L and 17:9A-316C, even if incorporated by Section 36(b)(2)(C), would not apply to an identically situated state bank and would not preclude such a bank from retaining its branches after a merger. Accordingly, under Section 36(b)(2)(C), Mellon East should be permitted to retain the Heritage branches, and I hereby approve that retention.

Conclusion

Recently, the Federal Reserve Board decided to require Mellon National Corporation to file an application under the Bank Holding Company Act.[14] I believe this decision is inconsistent with law and prior Board decisions. Under 12 USC 1842(a)(4), prior approval of the Federal Reserve Board is required "for any bank holding company or subsidiary thereof, other than a bank, to acquire all or substantially all of the assets of a bank." (Emphasis added.) In other words, the statute provides an exception to the approval requirement for bank-to-bank mergers subject to the Bank Merger Act, 12 USC 1828(c). Accordingly, in my opinion, the Federal Reserve Board lacks jurisdiction over this transaction.

Nevertheless, this Office will withhold final approval of the subject transaction under 12 USC 215a for a limited period to permit the Federal Reserve Board to consider the transaction. We note that the Board has promised to act expeditiously on the application filed by Mellon National Corporation at the Board's request. It is hoped that during this period the Federal Reserve Board will recognize that the statutory scheme established by Congress under the Bank Holding Company Act and the Bank Merger Act grants only the Comptroller jurisdiction over bank-to-bank mergers where the resulting institution is a national bank.

Moreover, we have herein granted final approval under 12 USC 1828(c) and, hence, the period of delay in consummation under that Act will expire 30 days from today.

March 27, 1984

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[14] Letter to Martin G. McGuinn, General Counsel, Mellon National Corporation, from William W. Wiles, Secretary of the Board, February 27, 1984.

* * *

Statistical Tables

Branches of national banks, by states, January 1 to June 30, 1984*

	Branches in operation December 31 1983	De novo branches opened for business, January 1 to June 30, 1984	Branches acquired through merger or conversion January 1 to June 30 1984	Existing branches discontinued or consolidated January 1 to June 30 1984	Branches in operation June 30, 1984
Total	21,592	252	341	349	21,836
Alabama	482	3	4	24	465
Alaska	84	4	0	0	88
Arizona	388	6	0	0	394
Arkansas	207	0	2	3	206
California	2,824	29	0	109	2,744
Colorado	45	0	0	0	45
Connecticut	315	1	20	0	336
Delaware	12	2	0	0	14
District of Columbia	162	5	0	0	167
Florida	1,212	42	91	29	1,316
Georgia	505	20	0	13	512
Hawaii	11	0	0	0	11
Idaho	191	0	0	0	191
Illinois	266	5	0	0	271
Indiana	568	0	0	0	568
Iowa	114	2	0	3	113
Kansas	82	0	0	0	82
Kentucky	275	4	0	0	279
Louisiana	311	0	4	2	313
Maine	83	7	0	0	90
Maryland	535	3	0	0	538
Massachusetts	505	7	1	0	513
Michigan	981	2	0	0	983
Minnesota	128	3	0	5	126
Mississippi	313	2	0	4	311
Missouri	94	3	6	0	103
Montana	10	0	0	0	10
Nebraska	63	2	0	0	65
Nevada	93	3	0	0	96
New Hampshire	105	5	0	0	110
New Jersey	1,058	15	14	1	1,086
New Mexico	128	0	0	0	128
New York	2,003	8	2	0	2,013
North Carolina	981	11	19	14	997
North Dakota	29	0	0	0	29
Ohio	1,594	11	59	4	1,660
Oklahoma	63	0	0	0	63
Oregon	356	4	0	1	359
Pennsylvania	1,489	6	65	0	1,560
Rhode Island	107	0	0	0	107
South Carolina	407	6	0	3	410
South Dakota	103	0	0	3	100
Tennessee	425	13	34	25	447
Texas	48	0	0	0	48
Utah	179	0	0	0	179
Vermont	50	2	0	0	52
Virginia	791	4	20	101	714
Washington	633	5	0	4	634
West Virginia	57	6	0	[illegible]	[illegible]
Wisconsin	127	1	0	[illegible]	[illegible]
Wyoming	0	0	0	[illegible]	[illegible]

* Does not include CBCT or foreign branches. For those branches see pp. 216-217.

CBCT branches* of national banks, by states, January 1 to June 30, 1984

	Branches in operation December 31, 1983	De novo branches opened for business January 1 to June 30, 1984	Branches acquired through merger or conversion January 1 to June 30, 1984	Existing branches discontinued or consolidated January 1 to June 30, 1984	Branches in operation June 30, 1984
Total	2,672	246	13	0	2,931
Alabama	41	1	0	0	42
Alaska	5	1	0	0	6
Arizona	19	2	0	0	21
Arkansas	17	0	0	0	17
California	73	3	0	0	76
Colorado	57	3	0	0	60
Connecticut	12	6	0	0	18
Delaware	0	36	0	0	36
District of Columbia	5	1	0	0	6
Florida	114	19	0	0	133
Georgia	51	13	0	0	64
Hawaii	0	0	0	0	0
Idaho	3	0	0	0	3
Illinois	87	11	0	0	98
Indiana	29	1	0	0	30
Iowa	95	2	0	0	97
Kansas	68	3	0	0	71
Kentucky	23	0	0	0	23
Louisiana	31	0	0	0	31
Maine	45	31	0	0	76
Maryland	26	5	0	0	31
Massachusetts	163	13	0	0	176
Michigan	146	4	0	0	150
Minnesota	70	6	0	0	76
Mississippi	5	1	0	0	6
Missouri	5	0	0	0	5
Montana	25	1	0	0	26
Nebraska	139	10	0	0	149
Nevada	22	2	0	0	24
New Hampshire	1	3	0	0	4
New Jersey	26	1	0	0	27
New Mexico	7	0	0	0	7
New York	267	3	0	0	270
North Carolina	34	4	0	0	38
North Dakota	17	2	0	0	19
Ohio	132	24	0	0	156
Oklahoma	200	0	0	0	200
Oregon	8	0	0	0	8
Pennsylvania	142	10	13	0	165
Rhode Island	2	1	0	0	3
South Carolina	39	3	0	0	42
South Dakota	16	0	0	0	16
Tennessee	68	6	0	0	74
Texas	174	0	0	0	174
Utah	2	4	0	0	6
Vermont	0	0	0	0	0
Virginia	32	2	0	0	34
Washington	15	0	0	0	15
West Virginia	40	7	0	0	47
Wisconsin	74	1	0	0	75
Wyoming	0	0	0	0	0

* Customer-bank communication terminal branches.

Federal branches and agencies of foreign banks, by state

	Federal branches and agencies—open Jan 1, 1984	Federal branches and agencies—approved unopened Jan 1 1984	Applications, January 1 to June 30, 1984						Federal branches and agencies—opened or converted Jan 1 to June 30	Federal branches and agencies—approved unopened June 30
			Pending Jan 1	Received	Approved	Disapproved	Withdrawn	Pending June 30		
Total *de novo*	60	13	10	2	9	0	0	3	9	10
Federal branch										
California	2	0	0	0	4	0	0	0	0	0
District of Columbia	1	0	0	0	0	0	0	0	0	0
Illinois	0	0	0	1	1	0	0	0	1	0
New York	37	7	5	0	0	0	0	3	6	5
Limited Federal branch										
California	4	1	2	1	3	0	0	0	1	3
District of Columbia	2	0	0	0	0	0	0	0	0	0
Illinois	3	1	0	0	0	0	0	0	0	0
New York	5	0	3	0	1	0	0	0	1	0
Washington	1	0	0	0	0	0	0	0	0	0
Federal agency										
California	0	0	0	0	0	0	0	0	0	0
Florida	3	3	0	0	0	0	0	0	0	1
Louisiana	1	1	0	0	0	0	0	0	0	1
New York	1	0	1	0	0	0	0	0	0	0
Total conversions	9	3	2	0	1	0	0	1	3	1
State agency to Federal branch										
New York	9	1	1	0	0	0	0	1	1	1
State agency to limited Federal branch										
California	0	1	1	0	1	0	0	0	1	0
New York	0	1	0	0	0	0	0	0	1	0

Applications for national bank charters, January 1 to June 30, 1984

	De novo			State chartered banks converted to national banks
	Approved	Rejected	Charters issued	
Total	127	20	104	22
Alabama	1	0	1	0
Alaska	0	0	0	0
Arizona	3	0	1	0
Arkansas	1	0	0	0
California	12	3	10	0
Colorado	9	0	3	0
Connecticut	1	0	0	0
Delaware	0	0	0	0
District of Columbia	1	0	0	0
Florida	12	0	7	10
Georgia	1	0	0	0
Hawaii	0	1	0	0
Idaho	0	0	0	0
Illinois	1	0	1	1
Indiana	0	0	0	0
Iowa	2	0	1	2
Kansas	3	2	2	1
Kentucky	0	0	0	0
Louisiana	1	0	2	0
Maine	0	0	0	0
Maryland	2	0	0	0
Massachusetts	2	0	0	0
Michigan	1	0	1	0
Minnesota	0	1	0	0
Mississippi	0	0	0	1
Missouri	3	1	1	1
Montana	0	0	0	0
Nebraska	2	0	1	0
Nevada	0	0	0	0
New Hampshire	0	0	0	0
New Jersey	0	0	0	0
New Mexico	1	0	0	0
New York	2	0	2	0
North Carolina	0	0	0	0
North Dakota	0	1	0	0
Ohio	0	0	0	0
Oklahoma	7	3	6	0
Oregon	0	0	0	0
Pennsylvania	1	0	1	3
Rhode Island	0	0	0	0
South Carolina	1	0	2	0
South Dakota	0	1	0	0
Tennessee	0	0	2	0
Texas	50	7	53	2
Utah	0	0	0	1
Vermont	0	0	1	0
Virginia	0	0	1	0
Washington	2	0	0	0
West Virginia	1	0	1	0
Wisconsin	0	0	0	0
Wyoming	3	0	4	0
Puerto Rico	1	0	0	0

Applications for new national bank charters, approved and rejected, by states, January 1 to June 30, 1984

	Approved	Rejected
ALABAMA		
First National Bank of Andalusia, Andalusia	Jan 27	———
ARIZONA		
SunWest National Bank, Mesa	Mar 7	———
Ranch National Bank, Scottsdale	Jan 16	———
National Bank of Tucson, Tucson	Mar 7	———
ARKANSAS		
First National Bank, Clinton	Feb 21	———
CALIFORNIA		
National Bank of Adelanto, Adelanto	———	Apr 3
Clearlake National Bank, Clearlake	June 7	———
Downey National Bank, Downey	Feb 22	———
Dominion National Bank & Trust, Irvine	Feb 27	———
Merced Bank of Commerce, N A , Merced	Mar. 5	———
First National Bank and Trust of Southern California, Newport Beach	———	May 4
Country Bank, N.A., Redding	June 14	———
Sacramento First National Bank, Sacramento	Mar 21	———
The Bank for Professionals, N A , San Diego	Feb 3	———
National Bank of Fairbanks Ranch, San Diego	May 22	———
United National Bank, San Francisco	———	Apr. 30
California Charter Bank, N A , San Luis Obispo	Mar. 5	———
Sonoma National Bank, Santa Rosa	Mar. 7	———
First Security Bank, N A , Simi Valley	May 24	———
Tustin National Bank, Tustin	Mar 5	———
COLORADO		
Central Bank of East Aurora, N A., Aurora	Feb. 3	———
The National Bank at Arapahoe/Parker, Aurora	May 4	———
Central Bank of Garden of the Gods, N A., Colorado Springs	June 8	———
The National Bank of Colorado Springs, Colorado Springs	May 3	———
Highlands National Bank, Denver	May 1	———
Westnet Bank, N A., Denver	Feb 15	———
First National Bank of Elizabeth, Elizabeth	Apr 20	———
First Bank at Broadway/County Line Road, N A , Littleton	May 10	———
Central Bank of Westminster, N A , Westminster	June 8	———
CONNECTICUT		
Fleet National Bank of Connecticut, Hartford	Apr 30	———
DISTRICT OF COLUMBIA		
Suburban Bank/Washington, N A	May 10	———
FLORIDA		
Community National Bank at Bartow, Bartow	Jan. 31	———
National City Bank, Coral Springs	Apr 19	———
Western National Bank of Florida, Davie	Feb. 8	———
Barnett Bank of Citrus County, National Association, Inverness	May 23	———
Community National Bank of Osceola County, Kissimmee	Jan 24	———
First National Bank of Lake Park, Lake Park	Feb 14	———
Metropolitan National Bank, Miami	Mar 16	———
Universal National Bank, Miami	Feb 17	———
Manufacturers Trust Company of Florida, N A , North Miami Beach	Jan 17	———
Citicorp National Trust Company of Florida Palm Beach	Jan 27	———
Sarasota Bank National Association, Sarasota	Feb 14	———
Indian River National Bank, Vero Beach	Apr 19	———
GEORGIA		
First Security National Bank, Norcross	Apr 20	———
HAWAII		
Commercial Bank of Honolulu N A Honolulu	———	June 11
ILLINOIS		
First National Bank of Roselle Roselle	June 14	———
IOWA		
Fairfield National Bank Fairfield	May 24	———
Heritage Bank, National Association, Aurelia	June 21	———
KANSAS		
First National Bank of Elkhart, Elkhart	June 25	———
Gardner National Bank, Gardner	Mar 22	———
The United States National Bank, Leawood	———	May 23
Wildcat National Bank, Manhattan	———	Mar 12
First National Bank of Overland Park, Overland Park	Jan 27	———
LOUISIANA		
Southeast National Bank, Hammond	Feb 1	———
MARYLAND		
Market National Bank, Frederick	Feb 8	———
Bay National Bank, Annapolis	June 8	———
MASSACHUSETTS		
The Beverly National Bank, Beverly	May 1	———
Fleet National Bank of Boston, Boston	Apr 30	———
MICHIGAN		
NBD Northwest Bank, N A , Traverse City	Mar 9	———
MINNESOTA		
Farmers & Merchants National Bank of Westbrook, Westbrook	———	June 11
MISSOURI		
The Liberty National Bank, Liberty	———	Apr 11
First National Bank, Republic	Feb 21	———
Security National Bank, St Joseph	May 24	———
Mercantile Bank of Northwest County, N A St Louis County	May 24	———
NEBRASKA		
First Continental National Bank, Omaha	Feb 6	———
First National Bank of Sidney, Sidney	Apr 5	———
NEW MEXICO		
Sunwest Bank of Sandoval County, N A Rio Rancho	Apr 5	———
NEW YORK		
Depositors First National Bank, New York	May 10	———
Fidelity National Bank & Trust Company New York	Feb 16	———
NORTH DAKOTA		
Community National Bank Rugby	———	June 11
OKLAHOMA		
Heritage National Bank Davis	[illegible]	———
Citizens National Bank Guthrie	———	[illegible]
Mustang National Bank Mustang	Feb [illegible]	———
Republic National Bank Norman	May 10	———
Broadway National Bank Oklahoma City	Feb [illegible]	———
Lincoln National Bank Oklahoma City	Apr [illegible]	———
MacArthur National Bank Oklahoma City	Apr [illegible]	———

Applications for new national bank charters, approved and rejected, by states, January 1 to June 30, 1984—continued

	Approved	Rejected
OKLAHOMA (Cont.)		
[illegible] Bank, N.A., Oklahoma City		Mar 12
[illegible] National Bank, Tulsa		June 8
[illegible] National Bank, Tulsa	Jan 11	
PENNSYLVANIA		
Chestnut Hill National Bank, Philadelphia	Feb 17	
SOUTH CAROLINA		
Anderson National Bank, Anderson	Feb 2	
SOUTH DAKOTA		
First National Bank of Lennox, Lennox		June 11
TEXAS		
Centerbank Spectrum, N.A., Addison	Apr 20	
Alvarado National Bank, Alvarado	May 21	
Rockport Bank, N.A., Aransas County	Feb 21	
InterFirst Bank Westlake, N.A., Austin	Apr 19	
Liberty National Bank, Austin	Apr 11	
Balch Springs Bank, N.A., Balch Springs	Feb 6	
Executive Plaza National Bank, Beaumont	Feb 9	
First National Bank of Bedford, Bedford	Feb 8	
Broadway National Bank—Westplex, Bexar County	Mar 7	
First National Bank of Carrollton, Carrollton	Mar 20	
Johnson County Bank, N.A., Cleburne	May 1	
Valley National Bank, College Station	May 23	
Central National Bank of Corpus Christi, Corpus Christi	Mar 20	
Crown Charter National Bank, Dallas	Feb 6	
Northwest Crossing Bank, N.A., Dallas	Apr 5	
Community National Bank, Detroit	Mar 16	
First National Bank of Dublin, Dublin	May 18	
American National Bank of Greenville, Greenville		Feb 7
Airtex National Bank, Harris County	Apr 5	
Atascocita National Bank, Harris County		Mar 21
Commerce Center National Bank, Harris County		June 26
North Belt National Bank, Harris County	Feb 6	
Hempstead National Bank, Hempstead		June 26
Belfort National Bank, Houston	Mar 22	
Enterprise Bank River Oaks, N.A., Houston	May 30	
Independent Bank of Houston, N.A., Hoston	Apr 5	
Lakewood Bank, N.A., Houston	May 24	
Plaza Del Oro National Bank, Houston	June 14	
RepublicBank Eldridge, N.A., Houston	Apr 18	
TEXAS (Cont.)		
Sterling Bank, N.A., Houston	Feb 16	
Texas National Bank—Westheimer, Houston	Jan 26	
Village Green National Bank, Jersey Village	Feb 8	
Allied Keller National Bank, Keller	Apr 19	
La Grange National Bank, La Grange	May 20	
First Consolidated Bank—Pleasant Run Road at I-35, N.A., Lancaster	Apr 19	
Texas National Bank, Longview	June 29	
Capital National Bank, Lubbock		May 24
City Bank, National Association, Lubbock	Apr 13	
Texas Commerce Bank—Midland, N.A., Midland	Apr 19	
Valley National Bank—Mission, Mission	Apr 5	
Peoples National Bank, Pasadena	Apr 5	
Plano East National Bank, Plano	Feb 16	
Bank of Port Isabel, N.A., Port Isabel	Mar 7	
Allied Bank Northwest, N.A., San Antonio	Feb 6	
Texas Bank North, N.A., San Antonio	Feb 6	
Texas Bank Northeast, N.A., San Antonio	Apr 5	
Thousand Oaks National Bank, San Antonio	May 3	
Westplex National Bank, San Antonio	Mar 20	
Southlake National Bank, Southlake	Mar 7	
Spring National Bank, Spring	Feb 16	
First National Bank, Spearman	Feb 1	
Tomball National Bank, Tomball	Mar 20	
Texana National Bank of Waco, Waco	May 10	
City National Bank, Whitehouse		June 8
Brushy Creek National Bank, Williamson County	Feb 21	
Cypress National Bank, Wimberly		June 8
Wylie Bank, N.A., Wylie	Feb 6	
WASHINGTON		
Edmonds National Bank, Edmonds	Apr 20	
American First National Bank, Everett	Mar 5	
WEST VIRGINIA		
Oceana National Bank, Oceana	Feb 2	
WYOMING		
American National Bank of Afton, Afton	May 18	
The Wyoming National Bank of West Casper, Casper	May 4	
Lovell National Bank, Lovell	June 18	
PUERTO RICO		
Banco Nacional de Puerto Rico, Hato Rey	Feb 13	

New national bank charters issued, by states, January 1 to June 30, 1984

Charter number	Title and location of bank	Total capital accounts
	Total 104 banks	$241 88[illegible]
	ALABAMA	
18187	First National Bank of Andalusia Andalusia	1 100 000
	ARIZONA	
18152	First National Bank of Tempe, Tempe	2 000 000
	CALIFORNIA	
18155	American Commerce National Bank, Anaheim	3 188 350
18159	Western Security Bank, N A , Burbank	4 190 000
18029	Western Sierra National Bank, Cameron Park	2 536 000
18157	American West Bank, N A , Encino	6 097 900
18092	American Independent Bank, N A , Gardena	2 700 200
18156	Monument National Bank, Ridgecrest	2 024 550
18158	The Financial Center Bank, N A , San Francisco	7 000 000
18095	National American Bank, San Francisco	4 000 000
18079	San Marcos National Bank, San Marcos	3,191 020
18160	Upland National Bank, Upland	3.150 000
	COLORADO	
18096	The Western National Bank of Colorado, Colorado Springs	1 250 000
18153	Chancery National Bank, Denver	2 000 000
18161	American National Bank of Grand Junction, Grand Junction	1 000 000
	FLORIDA	
18132	Commercial National Bank, Daytona Beach	2.762,000
18215	Community National Bank, Osceola County, Kissimmee	1,500 000
18236	First National Bank of Santa Rosa Milton	2,000 000
18214	American National Bank, Panama City	3 000 000
18088	SunBank and Trust/Charlotte County, N A , Port Charlotte	480 000
18089	SunBank/Tallahassee, N A , Tallahassee	720 000
18061	First National Bank of the South, Wesley Chapel	2 000 000
	ILLINOIS	
18145	First Chicago Investment Advisors, N A , Chicago	2,000 000
	IOWA	
18269	Heritage Bank, National Association, Aurelia	2 112 000
	KANSAS	
18112	The Lenexa National Bank, Lenexa	2 000 000
18247	Mission Hills Bank, N A , Mission Hills	2,500 000
	LOUISIANA	
18162	First National Bank of Benton, Benton	1 200 000
18087	Acadiana National Bank Lafayette	5 000 000
	MICHIGAN	
18143	NBD Northwest Bank, N A , Traverse City	4 000 000
	MISSOURI	
18164	Mercantile First County Bank, N A , Bloomfield	60 000
	NEBRASKA	
18258	First Continental National Bank, Omaha	2 000 000
	NEW YORK	
18272	The Exchange National Bank, Olean	5 000 000
18045	State Street Bank and Trust Company, N A , New York	1 000 000
	OKLAHOMA	
18110	First National Bank of Del City Del City	1 500 000
18254	The Bank of Edmond, N A , Edmond	1 500 000
18107	The National Bank of Harrah, Harrah	1 200 000
18245	Leadership Bank National Association, Oklahoma City	3 000 000
18070	American National Bank Ponca City	[illegible]
18133	Limestone National Bank, Sand Springs	[illegible]
	PENNSYLVANIA	
18273	Commerce Bank Pennsylvania N A Philadelphia	[illegible]

New national bank charters issued, by states, January 1 to June 30, 1984— continued

Charter number	Title and location of bank	Total capital accounts
	SOUTH CAROLINA	
[illegible]	Anderson National Bank, Anderson	2,000,000
[illegible]	Greenville National Bank, Greenville	2,750,000
	TENNESSEE	
18101	Third National Bank of Knoxville, Knoxville	240,000
18103	Third National Bank in Sevier County, Sevierville	120,000
	TEXAS	
18208	Landmark National Bank, Arlington	2,500,000
18118	Lincoln National Bank, Arlington	2,500,000
18117	Heritage National Bank, Austin	3,000,000
18230	BancFirst-Westlake, N.A., Austin	1,150,000
18078	Texas Commerce Bank-Northcross, Austin	1,500,000
18147	Beaumont Bank-National Association, Beaumont	3,000,000
18148	National Bank of Waller County, Brookshire	1,500,000
18109	Peoples National Bank, Caldwell	2,000,000
18104	First National Bank of Cleveland, Cleveland	2,000,000
18203	Conroe Bank, National Association, Conroe	2,500,000
18197	Corpus Christi National Bank-South, Corpus Christi	2,500,000
18120	Abrams Centre National Bank, Dallas	3,500,000
18237	Allied Bank North Central, N.A., Dalls	1,500,000
18073	Fidelity National Bank, Dallas	5,000,000
18040	Grand Bank LBJ at Hillcrest, N.A., Dallas	2,000,000
18167	Medallion National Bank, Dallas	1,400,000
18169	Midway National Bank, Dallas	2,000,000
18244	Duncanville National Bank, Duncanville	1,500,000
18067	Security National Bank, Elgin	1,250,000
18170	Centre National Bank-Farmers Branch, Farmers Branch	6,000,000
18108	Capital National Bank, Fort Worth	6,000,000
18188	Camp Bowie National Bank, Fort Worth	2,000,000
18222	Ridglea National Bank, Fort Worth	3,000,000
18243	First National Bank of Frisco, Frisco	1,500,000
18127	Texas Bank of Garland, N.A., Garland	2,000,000
18255	Lake Granbury National Bank, Granbury	2,000,000
18177	First National Bank of Atascocita, Harris County	1,200,000
18119	Capital Bank-Greens Parkway, N.A., Houston	3,000,000
18076	Independence Bank, N.A., Houston	2,000,000
18039	Northwest Commercial Bank, Houston	2,000,000
18221	Texas National Bank, Houston	5,750,000
18116	West Houston National Bank, Houston	2,125,000
18041	Hurst National Bank, Hurst	2,000,000
18071	Bank of LasColinas, N.A., Irving	2,000,000
18168	Shady Oaks National Bank, Lake Worth	2,000,000
18260	Federated National Bank, Live Oak	1,500,000
18291	Texas National Bank, Longview	4,850,000
18191	City Bank, National Association, Lubbock	2,250,000
18068	McAllen National Bank, McAllen	2,500,000
18054	Community National Bank, Midland	2,000,000
18207	Round Rock National Bank, Round Rock	2,875,000
18125	First National Bank of Sachse, Sachse	1,500,000
18256	Executive National Bank, San Antonio	1,500,000
18150	Castle Hills National Bank, San Antonio	2,000,000
18072	Fidelity Bank, National Association, San Antonio	5,750,000
18229	Northwest Bank, N.A., San Antonio	2,000,000
18202	Sealy National Bank, Sealy	1,750,000
18149	Seminole National Bank, Seminole	2,700,000
18204	Community National Bank, Sherman	1,500,000
18265	Citizens National Bank, Teague	1,500,000
18234	Peoples National Bank, Winters	1,250,000
18111	First National Bank, The Woodlands, The Woodlands	2,000,000
18091	International Bank of Commerce, N.A., Zapata	2,000,000
	VERMONT	
[illegible]	New Howard Bank, N.A., Burlington	120,000
	VIRGINIA	
[illegible]	[illegible] Bank, Louisville, Richmond	5,150,000
	WEST VIRGINIA	
[illegible]	[illegible] Bank, National Association, Charleston	240,000
	WYOMING	
[illegible]	[illegible] National Bank of West Casper, Casper	1,000,000
[illegible]	[illegible] Casper	1,250,000
[illegible]	[illegible]	750,000
[illegible]	[illegible]	1,000,000

State-chartered banks converted to national banks, by states, January 1 to June 30, 1984
(Dollar amounts in thousands)

Charter number	Title and location of bank	Effective date		Total assets
	Total 22 banks			$6 [illegible]
	FLORIDA			
18136	Ellis Highlands Bank, National Association, Avon Park, conversion of Ellis Highlands Bank	March	15	33 096
18140	Ellis Bank of Blountstown, N A., Blountstown, conversion of Ellis Bank of Blountstown	March	15	37 941
18138	Ellis Dixie County Bank N A , Cross City, conversion of Dixie County State Bank	March	15	22 033
18141	Ellis Fort Myers Bank, N A , Fort Myers, conversion of Ellis Fort Myers Bank	March	15	33 063
18139	Ellis Peoples Bank, N A., Gainesville, conversion of Ellis Peoples Bank	March	15	22 468
18134	Ellis Bank of Indian Rocks, N A , Largo, conversion of Ellis Bank of Indian Rocks	March	15	130 174
18135	Ellis Commercial Bank, N A , Live Oak, conversion of Ellis Commercial Bank	March	15	41 275
18209	U S Trust Company of Florida, N A , Palm Beach, conversion of U S Trust Company of Florida	April	30	2 986
18137	Ellis Bank & Trust Company, N A., Sarasota, conversion of Ellis Bank and Trust Company	March	15	469 454
18142	Ellis Springs Bank N A , Tarpon Springs, conversion of Ellis Springs Bank	March	15	49 627
	ILLINOIS			
18206	American National Bank of Bensenville, Bensenville, conversion of First American Bank of Bensenville	April	30	114 557
	IOWA			
18176	Northeast Iowa National Bank, Fredericksburg, conversion of First State Bank	April	2	20 045
18059	United National Bank of Iowa, Thurman, conversion of Thurman State Bank	January	10	6 129
	KANSAS			
18165	Blue Valley National Bank, Oketo, conversion of Oketo State Bank	April	2	4 280
	MISSISSIPPI			
18178	Bank of Hazlehurst, N A , Hazlehurst, conversion of Bank of Hazlehurst	March	31	54 638
	MISSOURI			
18216	Mark Twain Bank, N A , Independence, conversion of Mark Twain Independence Bank	May	2	20,852
	PENNSYLVANIA			
20371	Mellon Bank (East) N A , Bala Cynwyd, conversion of Girard Bank	June	25	4 238 966
18225	Mellon Bank (North) N A , Oil City, conversion of Northwest Bank	May	16	489 566
18211	Mellon Bank (Central) National Association, State College, conversion of Central Counties Bank	May	1	566 764
	TEXAS			
18172	BancTexas Allen Parkway N A , Houston, conversion of BancTexas Allen Parkway	March	15	75 027
18173	BancTexas NorthSide Houston N A , Houston, conversion of BancTexas North Side Houston	March	15	75 575
	UTAH			
18174	American Investment Bank, N A , Salt Lake City, conversion of American Investment Thrift	April	2	2 995

Mergers of national banks, or national and state banks, by states, January 1 to June 30, 1984
(Dollar amounts in thousands)

Date of [illegible]	Merging banks Resulting bank	Total assets
	ALABAMA	
	[illegible] National Bank of Gadsden, Gadsden (13412)	$ [illegible]
	AmSouth Bank, National Association, Birmingham (3185)	3 7[illegible] 188
[illegible]	AmSouth Bank, National Association, Birmingham (3185)	3 803 125*
	The Citizens Bank of Wetumpka, Alabama, Wetumpka	68 758
	AmSouth Bank, National Association, Birmingham (3185)	3 880 835
April 13	AmSouth Bank, National Association, Birmingham (3185)	3 949 593*
	SouthTrust Bank of Dale County, Midland City	7 051
	SouthTrust First National Bank of Dothan, Dothan (5249)	222 606
June 16	SouthTrust First National Bank of Dothan, Dothan (5249)	229 657
	ARKANSAS	
	Morrilton Security Bank, Morrilton	33 521
	Interim Morrilton Security Bank, National Association, Morrilton (18223)	120
May 11	Morrilton Security Bank, National Association, Morrilton (18223)	33 641*
	CONNECTICUT	
	First Bank, New Haven	755 946
	New Britain Bank and Trust Company, New Britain	134 974
	The Terryville Trust Company, Terryville	40 447
	The Connecticut National Bank, Hartford (1338)	4 245 785
March 31	The Connecticut National Bank, Hartford (1338)	5 177,152
	FLORIDA	
	Sun Bank Hillsborough, Tampa	82 378
	Florida National Bank, Jacksonville (8321)	3 696 000
January 1	Florida National Bank, Jacksonville (8321)	3 761,983
	Flagship Bank of Charlotte County, Punta Gorda	21 652
	Flagship Bank of Lake County, Tavares	74 709
	Flagship First National Bank of Highlands County, Sebring (14996)	78 798
	Flagship Peoples Bank of Tallahassee, Tallahassee	41 477
	Florida National Bank, Jacksonville (8321)	3,479,103
January 1	Florida National Bank, Jacksonville (8321)	3,695 000
	Flagship First National Bank of Volusia County, Ormond Beach (14857)	147,548
	Flagship Bank of Melbourne, National Association, Melbourne (15311)	132 407
	First National Bank of Florida, Tampa (3497)	1 627,240
January 1	First National Bank of Florida, Tampa (3497)	1,907,195*
	Englewood Bank and Trust, Englewood	130,884
	Barnett Bank of Sarasota, National Association, Sarasota (16206)	128,533
January 30	Barnett Bank of Southwest Florida, National Association, Englewood (16206)	259,417
	Barnett Bank of the Keys, Tavernier, Florida (formerly known as Great American Bank of the Florida Keys)	35 593
	Barnett Bank of South Florida, National Association, Miami (13828)	2 172 785
January 30	Barnett Bank of South Florida, National Association, Miami (13828)	2 208 377
	Barnett Bank of South Florida, National Association, Miami (13828)	2 160,984
	Great American Bank of Broward County, Ft. Lauderdale	47 950
	Great American Bank of Davie, Hollywood	69,006
	Great American Bank of North Miami Beach, North Miami Beach	37 593
January 30	Barnett Bank of South Florida, National Association, Miami (13828)	2 315 533
	Atlantic National Bank of Florida, Jacksonville (6888)	2 968 746
	The Bank of Green Cove Springs, Green Cove Springs	47 928
February 1	Atlantic National Bank of Florida, Jacksonville (6888)	2 995 274
	Florida State Bank of Tallahassee, Tallahassee	61 028
	Sun Bank Tallahassee, National Association, Tallahassee (18089)	720
February 1	Sun Bank Tallahassee, National Association, Tallahassee (18089)	61 748*
	Port Charlotte Bank and Trust Company, Port Charlotte	142 452
	Sun Bank and Trust Charlotte County, National Association, Port Charlotte (18088)	480
February 1	Sun Bank and Trust Charlotte County, National Association, Port Charlotte (18088)	142 932*
	Royal Trust Bank, Gulfport	145 750
	Royal Trust Bank, National Association, Miami (15156)	325 867
	Royal Trust Bank of Florida, National Association, St. Petersburg (14367)	315 220
	Royal Trust Bank of Palm Beach, N.A., Palm Beach (15894)	117 316
	Florida National Bank, Jacksonville (8321)	[illegible] 103
[illegible]	Florida National Bank, Jacksonville (8321)	4 383 756*
	[illegible] Bankers of South Brevard, National Association, Melbourne (15186)	[illegible]
	[illegible] Bankers of Florida, National Association, Cape Canaveral (15288)	[illegible]
[illegible]	[illegible] Bankers of Florida, National Association, Cape Canaveral (15288)	[illegible]
	[illegible] Bank of Bartow, National Association, Bartow (13383)	44 399
	[illegible] Bank of Belle Glade, National Association, Belle Glade (14454)	[illegible]
	[illegible] National Association, Key West [illegible]	[illegible]
	[illegible] National Association, Cape Coral [illegible]	[illegible]
	[illegible] National Association, Miami [illegible]	[illegible]
[illegible]	[illegible] National Association, Miami [illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]
	[illegible]	[illegible]

Mergers of national banks, or national and state banks, by states, January 1 to June 30, 1984—continued
(Dollar amounts in thousands)

Effective date	*Merging banks* *Resulting bank*	Total assets
	FLORIDA (cont.)	
April 1	Barnett Bank of Kissimmee, Kissimmee	$ 37 96[illegible]
	Barnett Bank of Central Florida, National Association, Winter Park (14767)	1 001 19[illegible]
April 13C	Barnett Bank of Central Florida, National Association, Winter Park (14767)	1 052 722
	Flagship National Bank of Palm Beach County, West Palm Beach (15438)	14[illegible] 649
	Sun Bank/Palm Beach County, National Association, Delray Beach (14556)	3[illegible]9 06[illegible]
May 1	Sun Bank/Palm Beach County, National Association, Delray Beach (14556)	464 714*
	Flagship National Bank of Broward County, Hollywood (14530)	179 685
	Sun Bank/South Florida, National Association, Fort Lauderdale (14732)	846 [illegible]
May 1	Sun Bank/South Florida, National Association, Fort Lauderdale (14732)	1 026 255*
	Ellis National Bank of Central Florida, Tampa (14932)	98 19[illegible]
	NCNB National Bank of Florida, Tampa (17775)	3 073 37[illegible]
May 18	NCNB National Bank of Florida, Tampa (17775)	3 173 454
	Ellis Bank of Indian Rocks, N.A., Largo (18134)	130 174
	Ellis National Bank of Pinellas County, St. Petersburg (15277)	116 010
	NCNB National Bank of Florida, Tampa (17775)	3 173 454
June 15	NCNB National Bank of Florida, Tampa (17775)	3 423 801
	Flagship Bank of Seminole, Sanford	115 973
	Flagship First National Bank of Titusville, Titusville (15046)	65 299
	Sun Bank, National Association, Orlando (16108)	2 152 156
June 1	Sun Bank, National Association, Orlando (16108)	2 333 428*
	GEORGIA	
	The Commercial National Bank, Cedartown (14499)	46 765
	The Citizens and Southern National Bank, Savannah (13068)	6 667 832
May 31	The Citizens and Southern National Bank, Savannah (13068)	6 714 597*
	The Fayette State Bank, Peachtree City	59 946
	The Citizens and Southern National Bank, Savannah (13068)	6 667 832
May 31	The Citizens and Southern National Bank, Savannah (13068)	6 727 778*
	High Springs Bank, High Springs	42 687
	Barnett Bank of Gainesville, N.A., Gainesville (16589)	83 195
June 18C	Barnett Bank of Gainesville, N.A., Gainesville (16589)	125 882
	IDAHO	
	Custer County Bank, Challis	19 452
	First Security Bank of Idaho, National Association, Boise (14444)	1 665 123
May 18	First Security Bank of Idaho, National Association, Boise (14444)	1 684 575*
	ILLINOIS	
	The Second National Bank of Danville, Danville (2584)	150 174
	Bank of Danville, Danville	26 472
June 25	The Second National Bank of Danville, Danville (2584)	176 646
	INDIANA	
	State Bank of Remington, Indiana, Remington	23 731
	Farmers & Merchants National Bank of Rensselaer, Rensselaer (14288)	63 471
January 1	Northwest National Bank, Rensselaer (14288)	87 202*
	Merrillville Bank & Trust Company, Merrillville	15 872
	Mercantile National Bank of Indiana, Hammond (14529)	293 062
May 29	Mercantile National Bank of Indiana, Hammond (14529)	308 934*
	MARYLAND	
	Hampstead Bank of Carroll County, Maryland, Hampstead	42 716
	The First National Bank of Maryland, Baltimore (1413)	3 410 700
April 30	The First National Bank of Maryland, Baltimore (1413)	3 453 476*
	Bank of Maryland, Hillcrest Heights	130 774
	Maryland National Bank, Baltimore (13745)	4 870 465
June 1	Maryland National Bank, Baltimore (13745)	5 00[illegible] [illegible]9*
	MASSACHUSETTS	
	Patriot Bank Brookline Trust Company, Brookline	403 [illegible]30
	Patriot Bank/Harbor National, Boston (15483)	195 3[illegible]
April 1	Patriot Bank Brookline Trust National Association, Boston (15483)	[illegible]33 550
	MINNESOTA	
	First Bloomington Lake National Bank of Minneapolis, Minneapolis (12972)	[illegible]
	First Minnehaha National Bank, Minneapolis (13096)	158 4[illegible]
February 21C	First Bank (National Association)—Lake, Minneapolis (13096)	[illegible]*
	Norwest Bank Silver Bay, Silver Bay	[illegible]
	Norwest Bank Two Harbors, National Association, Two Harbors (12357)	[illegible]
March 14	Norwest Bank Two Harbors, National Association, Two Harbors (12357)	[illegible]*
	First Produce State Bank of Minneapolis, Minneapolis	[illegible]
	First National Bank of Hopkins, Hopkins (7958)	[illegible]
May 18	First National Bank of Hopkins, Hopkins (7958)	[illegible]*
	The First National Bank of Virginia, Virginia (6527)	[illegible]
	First National Bank of Hibbing, Hibbing (5745)	[illegible]
June 1C	First Bank Minnesota (National Association), Hibbing (5745)	[illegible]

(Dollar amounts in thousands)

Date	Merging banks Resulting bank	Total assets
	MISSOURI	
	Commerce Bank of Independence, National Association, Independence (16368)	$ [illegible]
	Commerce Bank of Blue Hills, Kansas City	[illegible]
	Plaza Bank and Trust Company, Kansas City	[illegible]
	Commerce Bank of Grandview, National Association, Grandview (16492)	[illegible]
	Commerce Bank of Kansas City, National Association, Kansas City (15985)	[illegible]
January 1	Commerce Bank of Kansas City, National Association, Kansas City (15985)	[illegible]*
	Commerce Bank of [illegible], St. Louis	[illegible]
	Commerce Bank of St. Louis National Association, St. Louis (16944)	193 804
January 1	Commerce Bank of St. Louis National Association, St. Louis (16944)	254 714*
	First County Bank, Bloomfield	37 260
	Mercantile First County Bank National Association, Bloomfield (18164)	60
[illegible]	Mercantile First County Bank National Association, Bloomfield (18164)	37 320*
	NEW JERSEY	
	Guarantee Bank, Atlantic City	462 715
	The First Jersey National Bank/South, Manahawkin (16377)	230 675
January 17	The First Jersey National Bank/South, Manahawkin (16377)	693 390*
	Burlington County Trust Company, Moorestown	298 792
	Fidelity Union Bank, National Association, Morristown (16172)	47 673
April 5	Fidelity Union Bank, National Association, Morristown (16172)	337 465*
	Fidelity Union Bank, Newark	3 354 644
	Fidelity Union Bank, National Association, Morristown (16172)	47 673
April 5	Fidelity Union Bank, National Association, Newark (16172)	3,402 317*
	Fidelity Union Bank, National Association, Newark (16172)	47 673
	First National State Bank-Edison, Woodbridge Township (15845)	484 410
April 5	Fidelity Union Bank/First National State, Newark (15845)	532 083
	The First Jersey National Bank/South, Manahawkin (16937)	668 364
	The First Jersey National Bank/Delaware Valley, Turnersville (17384)	45 364
April 30	The First Jersey National Bank/South, Manahawkin (16937)	714 263*
	Union Trust Company, Wildwood	74 988
	Midlantic National Bank/Union Trust, Wildwood (18338)	7 120
June 1	Midlantic National Bank/Union Trust, Wildwood (18338)	82 108*
	The City National Bank and Trust Company of Salem, Salem (3922)	53 398
	Heritage Bank National Association, Monroe Township (1209)	1 862 388
June 28	Heritage Bank National Association, Monroe Township (1209)	1,915 786*
	NEW YORK	
	The First National Bank of Red Hook, Red Hook (752)	52 741
	Key Bank of Southeastern New York National Association, Chester (1349)	321 543
April 18	Key Bank of Southeastern New York National Association, Chester (1349)	374 284*
	NORTH CAROLINA	
	Community Bank of Carolina, Greensboro	50 500
	Southern National Bank of North Carolina, Lumberton (10610)	952 725
March 30	Southern National Bank of North Carolina, Lumberton (10610)	1 003 225*
	Cherryville National Bank, Cherryville (14229)	29 526
	Southern National Bank of North Carolina, Lumberton (10610)	952 725
March 3	Southern National Bank of North Carolina, Lumberton (10610)	982 251*
	The First National Bank of Anson County, Wadesboro (4947)	46 571
	Southern National Bank of North Carolina, Lumberton (10610)	952 725
March [illegible]	Southern National Bank of North Carolina, Lumberton (10610)	999 296*
	OHIO	
	The Tri County Bank, [illegible]	[illegible]
	Bank One of [illegible], National Association, Athens (7744)	[illegible]
[illegible]	Bank One, Athens, National Association, Athens (7744)	149 491*
	Bank One, Cincinnati, National Association, Cincinnati (17147)	[illegible]
	Bank One of Milford, National Association, Milford (3234)	195 [illegible]
[illegible]	Bank One, Milford, National Association, Milford (3234)	[illegible] 388
	Bank One, Cleveland, National Association, Cleveland (15573)	[illegible] 386
	Bank One of [illegible] County, [illegible]	94 [illegible]
	Bank One, [illegible], National Association, Painesville (14686)	[illegible] 649
[illegible]	Bank One, Cleveland, National Association, Cleveland (14686)	[illegible]
	Bank One, [illegible], National Association, [illegible] (1161)	[illegible] 893
	Bank One, [illegible], National Association, Columbus (7621)	[illegible] 485
[illegible]	Bank One, Columbus, National Association, Columbus (7621)	[illegible]
	[illegible] National Bank of [illegible] Company, East Liverpool (2146)	[illegible]
	[illegible], National Association, [illegible]town (13586)	[illegible]
	[illegible], National Association, [illegible]town (13586)	[illegible]
	[illegible]	[illegible]
	[illegible], National Association, [illegible]town (13586)	[illegible]
[illegible]	[illegible], National Association, [illegible]town (13586)	[illegible]

Mergers of national banks, or national and state banks, by states, January 1 to June 30, 1984—continued
(Dollar amounts in thousands)

Effective date	*Merging banks* / *Resulting bank*	*Total assets*
	OKLAHOMA	
	The Sheridan Bank and Trust Company, Lawton	$ 23 609
	The American National Bank of Lawton, Lawton (12067)	71 070
March 23	The American National Bank of Lawton, Lawton (12067)	93 779
	TENNESSEE	
	Hamilton First Bank, National Association, Clinton (14760)	66 248
	Union Planters National Bank of Memphis, Memphis (13349)	1 920 920
January 31	Union Planters National Bank, Memphis (13349)	1 953 575
	Bank of Sevierville, Sevierville	74 722
	Third National Bank in Sevier County, Sevierville (18103)	120
February 7	Third National Bank in Sevier County, Sevierville (18103)	74 842*
	Bank of Knoxville, Knoxville	332 752
	Third National Bank in Knoxville, Knoxville (18101)	240
February 7	Third National Bank in Knoxville, Knoxville (18101)	332 922*
	First American National Bank of Anderson County, Clinton (17909)	103 067
	First American National Bank of Knoxville, Knoxville (17839)	703 941
February 17	First American National Bank of Knoxville, Knoxville (17839)	807 008
	First Tennessee Bank, Jackson	49,562
	First Tennessee Bank, Dyersburg	53 113
	First Tennessee Bank N A. Memphis, Memphis (336)	2 411 186
March 1	First Tennessee Bank National Association Memphis, Memphis (336)	2,513 861*
	First Tennessee Bank, Jonesboro	123 449
	First Tennessee Bank, Morristown	59,319
	First Tennessee Bank, Mosheim	26 865
	First Tennessee Bank N A. Memphis, Memphis (336)	2 530 827
May 1	First Tennessee Bank National Association Memphis, Memphis (336)	2,740 460*
	First Tennessee Bank, N A., Kingsport (14567)	98 221
	First Tennessee Bank, N A., Memphis (336)	2 530 827
May 1	First Tennessee Bank, N A., Memphis (336)	2,629,048*
	First Tennessee Bank, N A., Chattanooga (16552)	572 061
	First Tennessee Bank, N A., Memphis (336)	2,530,827
June 1	First Tennessee Bank, N A., Memphis (336)	3 102,888*
	TEXAS	
	Mid-County Bank & Trust, Port Neches	28,534
	The First National Bank of Port Neches, Port Neches (11799)	63 152
February 27	The First National Bank of Port Neches, Port Neches (11799)	83,955
	VERMONT	
	The Howard Bank, Burlington	385,057
	New Howard Bank, National Association, Burlington (18049)	120
January 1	The Howard Bank, National Association, Burlington (18049)	385 057
	VIRGINIA	
	The Farmers Bank of Edinburg, Inc., Edinburg	32 627
	The Commercial and Savings Bank, Winchester	107,840
	Rockingham National Bank, Bridgewater (5261)	240,005
March 19	Dominion Bank of Shenandoah Valley, National Association, Winchester (5261)	380,472*
	The National Bank of Chilhowie Chilhowie (8875)	30 256
	Central Fidelity Bank, National Association, Southwest, Abingdon (14223)	92 374
April 16	Central Fidelity Bank, National Association, Southwest, Abingdon (14223)	122 630*
	Bank of the James, Manakin-Sabot	19 690
	Dominion National Bank of Richmond, Richmond (15530)	192 585
May 29	Dominion Bank of Richmond, National Association, Richmond (15530)	212 275*
	The Peoples Bank of Chesterfield, Chesterfield	50 680
	Dominion National Bank of Richmond, Richmond (15530)	192 585
May 29	Dominion Bank of Richmond, National Association, Richmond (15530)	243 265*
	First Bassett Bank & Trust, Bassett	83 171
	First National Exchange Bank, Roanoke (2737)	2 127 644
June 16	First National Exchange Bank, Roanoke (2737)	2 210 815*
	WEST VIRGINIA	
	Mountain National Bank, Beaver (21959)	18 620
	Beckley National Bank, Beckley (10589)	180 625
May 1	Beckley National Bank, Beckley (10589)	199 245*
	The Teays Valley National Bank, Scott Depot (16132)	15 226
	Kanawha Banking & Trust Company National Association, Charleston (15882)	216 712
May 1	Kanawha Banking & Trust Company National Association, Charleston (15882)	231 938*
	WISCONSIN	
	South Midland Bank, Milwaukee	[illegible]
	First National Bank of Glendale, Glendale (15325)	[illegible]
February 29	First National Bank, Glendale (15325)	[illegible]

* Actual asset information for these mergers was not available at press time The figures were statistically estimated

Mergers consummated pursuant to corporate reorganizations, by states, January 1 to June 30, 1984*

(Dollar amounts in thousands)

Effective date	Operating bank New bank Resulting bank	Total assets
	ALABAMA	
	The Albertville National Bank, Albertville	
	The New Albertville National Bank, Albertville	
January 3	The Albertville National Bank, Albertville	$55 403
	Citizens National Bank of Opp, Opp	
	The Colonial Bank of Opp, National Association, Opp	
March [illegible]	The Colonial Bank of Opp, National Association, Opp	17 595
	ARKANSAS	
	First National Bank of Crossett, Crossett	
	Bank of Crossett, National Association	
January 9C	First National Bank of Crossett, Crossett	55 975
	First National Bank, Paragould	
	Interim National Bank of Paragould, Paragould	
March 14C	First National Bank, Paragould	107 509
	CALIFORNIA	
	San Jose National Bank, San Jose	
	San Jose Interim National Bank, San Jose	
February 1	San Jose National Bank, San Jose	58,907
	Mercantile National Bank, Los Angeles	
	Interim Mercantile National Bank, Los Angeles	
May 30	Mercantile National Bank, Los Angeles	88,047†
	COLORADO	
	Northern National Bank, Colorado Springs	
	Post Interim National Bank, Colorado Springs	
January 31C	Northern National Bank, Colorado Springs	20 731
	DISTRICT OF COLUMBIA	
	First American Bank, National Association, Washington	
	First American Bank, N.A., Washington	
June 12C	First American Bank, National Association, Washington	940,120
	FLORIDA	
	Capital City First National Bank of Tallahassee, Tallahassee	
	Capital City First National Interim Bank of Tallahassee, Tallahassee	
January 1	Capital City First National Bank of Tallahassee, Tallahassee	182,817
	Capital City Second National Bank, Tallahassee	
	Capital City Second National Interim Bank, Tallahassee	
January 1	Capital City Second National Bank, Tallahassee	25 397
	City National Bank, Tallahassee	
	City National Interim Bank, Tallahassee	
January 1	City National Bank, Tallahassee	30 392
	First National Bank of Jefferson County, Monticello	
	First National Interim Bank of Jefferson County, Monticello	
January 1	First National Bank of Jefferson County, Monticello	9 514
	Industrial National Bank, Tallahassee	
	Industrial National Interim Bank, Tallahassee	
January 1	Industrial National Bank, Tallahassee	25,332
	County National Bank of South Florida, North Miami Beach	
	County Interim National Bank, North Miami Beach	
March 12	County National Bank of South Florida, North Miami Beach	132 534
	GEORGIA	
	The First National Bank of Barnesville, Barnesville	
	Interim National Bank of Barnesville, Barnesville	
January 3	The First National Bank of Barnesville, Barnesville	36 291
	The First National Bank of Jackson County, Jefferson	
	The New First National Bank of Jackson County, Jefferson	
April [illegible]	The First National Bank of Jackson County, Jefferson	24 599
	ILLINOIS	
	Columbia National Bank of Chicago, Chicago	
	CNB of C Bank, Chicago	
March [illegible]	Columbia National Bank of Chicago, Chicago	177 520†
	The Hillsboro National Bank, Hillsboro	
	HNB Bank, National Association, Hillsboro	
April [illegible]	The Hillsboro National Bank, Hillsboro	71 074†
	First Galesburg National Bank & Trust Company, Galesburg	
	Galesburg National Bank, Galesburg	
May [illegible]	First Galesburg National Bank & Trust Company, Galesburg	[illegible]
	First National Bank of Lake Forest, Lake Forest	
	First National Bank of Lake Forest Interim National Bank, Lake Forest	
May [illegible]	First National Bank of Lake Forest, Lake Forest	[illegible]
	[illegible] Bank of Vandalia, Vandalia	
	[illegible] Bank of Vandalia, Vandalia	

Mergers consummated pursuant to corporate reorganizations, by states, January 1 to June 30, 1984—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	Total assets
	ILLINOIS (cont.)	
	The First National Bank of Vandalia, Vandalia	
	Rock Falls National Bank, Rock Falls	
May 15C	Republic National Bank of Rock Falls, Rock Falls	$ 60 965†
	Rock Falls National Bank, Rock Falls	
	The Farmers and Merchants National Bank of Carlinville, Carlinville	47 708
	FMBC National Bank, Carlinville	
June 29	The Farmers and Merchants National Bank of Carlinville, Carlinville	44 623
	INDIANA	
	The Citizens National Bank of Evansville, Evansville	
	CNB National Bank, Evansville	
January 3	The Citizens National Bank of Evansville, Evansville	615 385
	The Bright National Bank at Flora, Flora	
	Carroll National Bank, Flora	
January 9	The Bright National Bank at Flora, Flora	45 603
	The First National Bank of Aurora, Aurora	
	River City National Bank, Aurora	
February 1	The First National Bank of Aurora, Aurora	45 854
	The Tell City National Bank, Tell City	
	First of Tell City National Bank, Tell City	
April 30	Tell City National Bank, Tell City	70,906
	The Seymour National Bank, Seymour	
	SNB National Bank, Seymour	
May 1	The Seymour National Bank, Seymour	55 970†
	The Lowell National Bank, Lowell	
	Lowell National Interim Bank, Lowell	
May 8	The Lowell National Bank, Lowell	93 870†
	IOWA	
	First National Bank of Muscatine, Muscatine	
	First Interim National Bank of Muscatine, Muscatine	
May 31C	First National Bank of Muscatine, Muscatine	148,726†
	KENTUCKY	
	The State National Bank of Frankfort, Frankfort	
	New State National Bank of Frankfort, Frankfort	
March 16	The State National Bank of Frankfort, Frankfort	63,617
	Citizens National Bank of Paintsville, Paintsville	
	CNB National Bank, Paintsville	
April 11	Citizens National Bank of Paintsville, Paintsville	97,548
	LOUISIANA	
	The First National Bank of Jeanerette, Jeanerette	
	FNBJ National Bank, Jeanerette	
May 1	The First National Bank of Jeanerette, Jeanerette	39 012†
	The New Iberia National Bank, New Iberia	
	NNB National Bank, New Iberia	
May 1	The New Iberia National Bank, New Iberia	101 891
	MICHIGAN	
	Central National Bank of St. Johns, St. Johns	
	New National Bank of St. Johns, St. Johns	
February 1C	Central National Bank of St. Johns, St. Johns	67 077
	Farmers and Merchants National Bank in Benton Harbor, Benton Harbor	
	F & M National Bank, Benton Harbor	
March 1	Farmers and Merchants National Bank in Benton Harbor, Benton Harbor	178 986
	MISSISSIPPI	
	First National Bank of Vicksburg, Vicksburg	
	Interim National Bank, Vicksburg	
January 2	First National Bank of Vicksburg, Vicksburg	155 749†
	NEBRASKA	
	The Fremont National Bank and Trust Company, Fremont	
	Fremont Bank, National Association, Fremont	
March 1C	The Fremont National Bank and Trust Company, Fremont	90 501†
	NEW HAMPSHIRE	
	Dartmouth National Bank of Hanover, Hanover	
	New Dartmouth National Bank, Hanover	
March 1	Dartmouth National Bank, Hanover	[illegible]
	The First National Bank of Portsmouth, Portsmouth	
	Portsmouth National Bank, Portsmouth	
June 30	The First National Bank of Portsmouth, Portsmouth	[illegible]

Mergers consummated pursuant to corporate reorganizations, by states, January 1 to June 30, 1984—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	*Total assets*
	NEW JERSEY	
	City National Bank of New Jersey, Newark	
	CNB Interim Bank, National Association, Newark	
January 10	City National Bank of New Jersey, Newark	$ 53,854†
	Amboy-Madison National Bank, Old Bridge Township	
	Amboy Bank, N.A., Old Bridge Township	
April 10	Amboy-Madison National Bank, Old Bridge Township	213,448†
	The Farmers and Merchants National Bank of Bridgeton, Bridgeton	
	The New Farmers and Merchants National Bank, Bridgeton	
May 22	The Farmers and Merchants National Bank of Bridgeton, Bridgeton	123,190†
	Wood Ridge National Bank, Wood Ridge	
	The Second Wood Ridge National Bank, Wood Ridge	
June 22	The Wood Ridge National Bank, Wood Ridge	76,225†
	NEW MEXICO	
	The First National Bank of Belen, Belen	
	The Belen National Bank, Belen	
April 10	The First National Bank of Belen, Belen	116,413
	NEW YORK	
	The St. Lawrence National Bank, Canton	
	45-49 Court Street Bank, National Association, Canton	
February 3	The St. Lawrence National Bank, Canton	229,664†
	The First National Bank of Ovid, Ovid	
	7193 Main Street Bank, National Association, Ovid	
March 2	The First National Bank of Ovid, Ovid	25,217†
	The First National Bank of Long Island, Glen Head	
	First Interim Bank of Long Island, National Association, Glen Head	
April 30	The First National Bank of Long Island, Glen Head	125,554†
	Ballston Spa National Bank, Ballston Spa	
	New Ballston Spa National Bank, Ballston Spa	
June 10	Ballston Spa National Bank, Ballston Spa	52,356
	NORTH DAKOTA	
	First National Bank in Grand Forks, Grand Forks	
	New National Bank in Grand Forks, Grand Forks	
April 13	First National Bank in Grand Forks, Grand Forks	178,118
	OHIO	
	Greenville National Bank, Greenville	
	Greenville National Phantom Bank, Greenville	
March 30	Greenville National Bank, Greenville	74,929
	The Lorain National Bank, Lorain	
	Lorain Interim, National Association, Lorain	
March 30	The Lorain National Bank, Lorain	233,940
	Belmont County National Bank, St. Clairsville, St. Clairsville	
	B.C. National Bank, St. Clairsville	
April 10	Belmont County National Bank, St. Clairsville, St. Clairsville	120,083†
	PENNSYLVANIA	
	Community National Bank, Forest City	
	CNB National Bank, Forest City	
February 1	Community National Bank, Forest City	58,171
	Columbia County Farmers National Bank, Orangeville	
	CCFNB National Bank, Orangeville	
March 31	Columbia County Farmers National Bank, Orangeville	56,404
	County National Bank, Clearfield	
	County Interim National Bank, Clearfield	
April 10	County National Bank, Clearfield	167,184
	First Citizens National Bank, Mansfield	
	FCNB National Bank, Mansfield	
April 30	First Citizens National Bank, Mansfield	73,178
	Penn Central National Bank, Huntington	
	PCNB National Bank, Huntington	
April 30	Penn Central National Bank, Huntington	102,964
	First National Trust Bank, Sunbury	
	First Interim National Trust Bank, Sunbury	
May [illegible]	First National Trust Bank, Sunbury	184,352
	First National Bank of Centre Hall, Centre Hall	
	Centre Hall Interim National Bank, Centre Hall	
May [illegible]	First National Bank of Centre Hall, Centre Hall	16,340
	First National Bank of Greencastle, Greencastle	
	Greencastle Interim National Bank, Greencastle	
[illegible]	First National Bank of Greencastle, Greencastle	66,4[illegible]

Mergers consummated pursuant to corporate reorganizations, by states, January 1 to June 30, 1984—continued*

(Dollar amounts in thousands)

Effective date	Operating bank New bank Resulting bank	Total assets
	PENNSYLVANIA (cont.)	
	Pen Argyl National Bank, Pen Argyl	
June 1	PANB National Bank, Pen Argyl	
June 30	Pen Argyl National Bank, Pen Argyl	$ [illegible]
	McKeesport National Bank, McKeesport	
	Interim McKeesport National Bank, McKeesport	
June 30	McKeesport National Bank, McKeesport	[illegible]†
	SOUTH CAROLINA	
	Rock Hill National Bank, Rock Hill	
	New Rock Hill National Bank, Rock Hill	
June 29C	Rock Hill National Bank, Rock Hill	141 934†
	TENNESSEE	
	First National Bank of McMinnville, McMinnville	
	McMinnville Interim National Bank, McMinnville	
June 30	First National Bank of McMinnville, McMinnville	80 325
	TEXAS	
	The First National Bank of Commerce, Commerce	
	New First National Bank, Commerce	
January 30	First National Bank, Commerce	33 774
	Mercantile National Bank of Kingsville, Kingsville	
	New Mercantile National Bank of Kingsville, Kingsville	
April 2	Mercantile National Bank of Kingsville, Kingsville	35 396
	Franklin National Bank, Mount Vernon	
	Franklin National Association, Mount Vernon	
April 18	Franklin National Bank, Mount Vernon	19 696
	Collin Creek Bank, National Association, Plano	
	Allied Bank Plano, National Association, Houston	
May 31C	Allied Bank Plano, National Association, Houston	17 353†
	The Herring National Bank of Vernon, Vernon	
	The New Herring National Bank of Vernon, Vernon	
June 4	The Herring National Bank of Vernon, Vernon	76 465
	VIRGINIA	
	The Farmers and Merchants National Bank of Stanley, Stanley	
	Stanley National Bank, Stanley	
May 11	Stanley National Bank, Stanley	28 791
	The Fauquier National Bank of Warrenton, Warrenton	
	Fauquier Bank, N.A., Warrenton	
June 30	The Fauquier National Bank of Warrenton, Warrenton	66 099†
	WEST VIRGINIA	
	The Citizens National Bank of Martinsburg, Martinsburg	
	CNB, National Association, Martinsburg	
January 12C	The Citizens National Bank of Martinsburg, Martinsburg	66 578
	Upshur National Bank, Buckhannon	
	U N National Bank, Buckhannon	
February 13	Upshur National Bank, Buckhannon	9 585†
	The First National Bank of Bluefield, Bluefield	
	Bluefield First National Interim Bank, Bluefield	
March 1	The First National Bank of Bluefield, Bluefiled	122 [illegible]33
	The City National Bank of Charleston, Charleston	
	The City Bank of Charleston, National Association, Charleston	
March 7	The City National Bank of Charleston, Charleston	99 [illegible]49
	Community Bank and Trust, National Association, Fairmont	
	Community National Bank, Fairmont	
April 1	Community Bank and Trust, National Association, Fairmont	[illegible]
	The Parkersburg National Bank, Parkersburg	
	United Bank, National Association, Parkersburg	
May 1	The Parkersburg National Bank, Parkersburg	302 [illegible]†
	First National Bank in Philippi, Philippi	
	Philippi Bank, National Association, Philippi	
May 1	First National Bank in Philippi, Philippi	[illegible]
	Union Central National Bank, Vienna	
	Union Central Bank, National Association, Vienna	
May 1	Union Central National Bank, Vienna	[illegible]†
	Security National Bank & Trust Co., Wheeling	
	JHF National Bank, Wheeling	
May 31	Security National Bank & Trust Co., Wheeling	[illegible]
	The Merchants and Miners National Bank, Oak Hill	
	M & M Bank, National Association, Oak Hill	
June 18	The Merchants and Miners National Bank, Oak Hill	[illegible]
	Raleigh County National Bank, Beckley	
	Big Clock National Bank, Beckley	
June 26	Raleigh County National Bank, Beckley	[illegible]

Mergers consummated pursuant to corporate reorganizations, by states, January 1 to June 30, 1984—continued*

(Dollar amounts in thousands)

Effective date	*Operating bank* *New bank* *Resulting bank*	*Total assets*
	WISCONSIN	
	The First National Bank of Kenosha, Kenosha First National Bank, Kenosha	
January [illegible]	The First National Bank of Kenosha, Kenosha	$218,156†
	Citizens National Bank & Trust, Marshfield, Marshfield American National Bank, Marshfield	
February [illegible]	Citizens National Bank and Trust, Marshfield	83,375
	The First National Bank of Monroe, Monroe GC National Bank, Monroe	
June [illegible]	The First National Bank of Monroe, Monroe	92,680†

* Includes consolidations effected pursuant to corporate reorganizations. Does not include transactions involving more than a single operating bank. These transactions may be found on p. 224.

† Actual asset information for these transactions was not available at press time. The figures were statistically estimated.

C Consolidation

Purchases of state banks by national banks, by states, January 1 to June 30, 1984

(Dollar amounts in thousands)

Title and location of bank	*Effective date*		*Total assets of state banks*
Total: 11 banks			$391,732
ALABAMA			
First Alabama Bank of Anniston, National Association, Anniston (4250), purchased Cherokee County Bank, Centre	June	6	39,391
ILLINOIS			
The Mid City National Bank of Chicago, Chicago (13684), purchased United of America Bank, Chicago	April	27	38,145
LOUISIANA			
First National Bank of St. Landry Parish, Opelousas (16200), purchased Planters Trust & Savings Bank, Opelousas	May	18	71,247
NEBRASKA			
Omaha National Bank, Omaha (1633), purchased Blair Bank, Inc., Blair	April	23	20,309
OHIO			
First National Bank of Southwestern Ohio, Monroe (56), purchased The Peoples Banking Company, Lewisburg	February	1	17,675
OREGON			
United States National Bank of Oregon, Portland (4514), purchased United Bank of Oregon, Milwaukie	March	2	17,258
TENNESSEE			
Union Planters National Bank, Memphis (13349), purchased Union Planters Bank of Nashville, Nashville	April	7	19,132
TEXAS			
Texas National Bank, Longview ([illegible]), purchased East Texas Bank and Trust Company, Longview	June	29	106,092
WEST VIRGINIA			
[illegible] State Bank, National Association, Beckley (18123), purchased Cardinal State Bank, Beckley	March	1	39,806
[illegible] National Bank of Elkins, Elkins (12483), purchased The Tucker County Bank, Parsons	February	3	15,437
WYOMING			
[illegible] National Bank, Casper (16954), purchased State Bank of Mills, Mills	May	4	7,240

National banks merged or consolidated with state banks, by states, January 1 to June 30, 1984
(Dollar amounts in thousands)

Title and location of bank	*Effective date*	*Total assets*
Total 7 banks		$1 650 208
MAINE		
Northeast Bank, N A , Farmington (5861) merged into Northeast Bank of Guilford Guilford under the title of Northeast Bank	March 31	28 479
MISSOURI		
Landmark Bank of Sunset Hills, N A , Sunset Hills (17092) merged into Landmark Bank of South County St Louis County under the title of Landmark Bank of South County	February 6	14 353
TENNESSEE		
The First National Bank of Savannah, Savannah (8889) merged into Commercial and Industrial Bank of Memphis, Memphis, under the title of Commercial and Industrial Bank of Memphis	January 20	29 434
VIRGINIA		
Central Fidelity Bank, N A , Lynchburg (1522) merged into Central Fidelity Bank, Richmond under the title of Central Fidelity Bank	February 21	865 609
Central Fidelity Bank N A Richmond (10080) merged into Central Fidelity Bank, Norfolk under the title of Central Fidelity Bank	November 14	654 439
WEST VIRGINIA		
The Union National Bank of Sistersville, Sistersville (5028) merged into Tyler County Bank, Inc Middlebourne, under the title of Union Bank of Tyler County	January 3	12 016
WISCONSIN		
Marine Bank of Watertown, N A , Watertown (9003) consolidated with Marine Bank West, Delafield under the title of Marine Bank West	May 31	45 878

National banks converted to state banks, by states, January 1 to June 30, 1984
(Dollar amounts in thousands)

Charter number	*Title and location of bank*	*Effective date*	*Total assets*
	Total 8 banks		$602 959
	ALABAMA		
15473	The Colonial Bank of Alabama National Association Birmingham converted to The Colonial Bank of Alabama	January 30	225 275
17144	The Colonial Bank of Mobile, National Association, Mobile converted to The Colonial Bank of Mobile	January 30	15 031
16247	Colonial Bank, National Association, Montgomery converted to Colonial Bank	February 27	67 042
	CALIFORNIA		
17267	First National Bank of Beverly Hills, converted to The Merchant Bank of California	April 4	83 405
	FLORIDA		
16549	Southern Florida Bank, National Association, Riviera Beach converted to Southern Floridabanc Savings Association	March 28	27 241
	PENNSYLVANIA		
10232	The Central Pennsylvania National Bank of Claysburg, Hollidaysburg converted to The Central Pennsylvania Bank	March 21	104 609
	TEXAS		
16955	First National Bank Snyder converted to American State Bank of Snyder	May 4	26 778
	VIRGINIA		
12451	The Hanover National Bank Ashland converted to First Virginia Bank Hanover	April 2	53 578

National banks reported in liquidation, by states, January 1 to June 30, 1984

(Dollar amounts in thousands)

Title and location of bank	Effective date		Total assets of liquidated bank
Total (12 banks)			$493,739
CALIFORNIA			
The National Bank of Carmel, Carmel by the Sea (16959), absorbed by County Bank and Trust, Santa Cruz	May	11	76,189
FLORIDA			
First American National Bank, Virginia Gardens (16793), absorbed by Capital Bank, North Bay Village	March	2	14,700
ILLINOIS			
Washington National Bank of Chicago, Chicago (16688), absorbed by Banco Popular de Puerto Rico, San Juan	May	18	14,077
INDIANA			
The Shelby National Bank of Shelbyville, Shelbyville (7946), absorbed by American Fletcher National Bank and Trust Company, Indianapolis	April	19	67,778
IOWA			
The Farmers National Bank of Aurelia, Aurelia (9724), absorbed by Heritage Bank, National Association, Aurelia (18269)	June	21	19,900
MICHIGAN			
National Bank and Trust Company of Traverse City, Traverse City (14918), absorbed by NBD Northwest Bank, National Association, Traverse City (18143)	March	9	103,968
MINNESOTA			
The First National Bank of Rushford, Rushford (6436), absorbed by The Goodhue County National Bank of Red Wing, Red Wing (7307)	May	4	21,991
First National Bank of Prior Lake, Prior Lake (17461), absorbed by The First National Bank of Shakopee, Shakopee (3039)	May	24	12,231
TEXAS			
Seminole State National Bank, Seminole (17303), absorbed by Seminole National Bank, Seminole (18149)	March	16	51,131
Security National Bank of Lubbock, Lubbock (15209), absorbed by City Bank, National Association, Lubbock (18191)	April	13	57,623
First National Bank, Snyder (16955), absorbed by American State Bank of Snyder	May	4	26,778
WYOMING			
Western National Bank of Casper, Casper (15300), absorbed by Wyoming National Bank of West Casper, Casper (18217)	May	4	27,373

Assets, liabilities and capital accounts of national banks, March 31, 1983, and March 31, 1984
(Dollar amounts in millions)

	March 31, 1983 4,654 banks	March 31, 1984 4,792 banks*	Change March 31, 1983–March 31, 1984 Fully consolidated	
	Consolidated foreign and domestic	Consolidated foreign and domestic	Amount	Percent
Assets				
Cash and balances due from depository institutions:				
Noninterest-bearing balances and currency and coin	$ 206,204	$ 96,752	$ −6,350	−3.08
Interest-bearing balances	NA	103,102	NA	NA
Securities	205,659	200,136	−5,523	−2.69
Federal funds sold and securities purchased under agreements to resell	55,582	54,524	−1,058	−1.90
Loans and leases, net of unearned income	728,762	835,932	107,170	14.71
Less allowance for loan and lease losses	8,395	9,979	1,608	19.15
Less allocated transfer risk reserve	NA	24	NA	NA
Net loans and leases	720,367	825,929	105,562	14.65
Premises and fixed assets	20,334	22,039	1,705	8.39
Other real estate owned	2,693	2,954	261	9.69
Other assets	82,966	92,267	9,301	11.21
Total assets	1,293,774	1,397,703	103,929	8.03
Liabilities				
Noninterest-bearing deposits in domestic offices	199,674	211,959	12,285	6.15
Interest-bearing deposits in domestic offices	586,733	630,664	43,931	7.49
Total domestic deposits	786,408	842,624	56,216	7.15
Noninterest-bearing deposits in foreign offices	NA	7,811	NA	NA
Interest-bearing deposits in foreign offices	NA	224,661	NA	NA
Total foreign deposits	206,529	232,472	25,943	12.56
Total deposits	992,937	1,075,096	82,159	8.27
Federal funds purchased and securities sold under agreements to repurchase	118,184	124,593	6,409	5.42
Interest-bearing demand notes issued to the U.S. Treasury	8,321	6,942	−1,379	−16.57
Other liabilities for borrowed money	26,262	29,679	3,417	13.01
Mortgage indebtness and liability for capitalized leases	1,735	1,744	9	.52
Subordinated notes and debentures	3,875	3,191	−684	−17.55
All other liabilities	68,891	75,517	6,626	9.61
Total liabilities	1,220,295	1,316,763	96,468	7.91
Limited-life preferred stock	NA	77	NA	NA
Equity Capital				
Perpetual preferred stock	136	110	−26	19.12
Common stock	13,721	14,338	617	4.50
Surplus	21,663	24,918	3,255	19.03
Undivided profits and capital reserves	37,958	41,705	3,537	9.32
Cumulative foreign currency translation adjustments	NA	−209	NA	NA
Total equity capital	73,479	80,862	7,383	10.05
Total liabilities, limited-life preferred stock, and equity capital	1,293,774	1,397,703	103,929	8.03

* Excludes five noninsured national banks with total assets of $9.9 million, and National Bank of Carmel, Carmel, California with total assets of $48.8 million. Also excludes Security National Bank of Lubbock, Texas, and State Street Bank & Trust Co., NA, New York, NY.

Year-to-date income and expenses of national banks, March 31, 1984
(Dollar amounts in millions)

	4,793 banks	
	Consolidated foreign and domestic	*Percent distribution*
Interest income		
Interest and fee income on loans	$25,284	73.1
Income from lease financing receivables	355	1.0
Interest income on balances due from depository institutions	2,552	7.4
Interest and dividend income on securities	4,713	13.6
Interest income from assets held in trading accounts	291	0.8
Interest income from federal funds sold and securities purchased under agreements to resell	1,409	4.1
Total interest income	34,604	100.0
Interest expense		
Interest on deposits	19,160	81.1
Expense of federal funds purchased and securities sold under agreements to repurchase	3,011	12.7
Interest on demand notes issued to the U.S. Treasury and on other borrowed money	1,324	5.6
Interest on mortgage indebtedness and obligations under capitalized leases	57	0.2
Interest on notes and debentures subordinated to deposits	77	0.3
Total interest expense	23,629	100.0
Net interest income	10,975	
Provision for loan and lease losses	1,371	
Provision for allocated transfer risk	14	
Noninterest income		
Service charges on deposit accounts	885	22.3
Other noninterest income	3,082	77.3
Total noninterest income	3,967	100.0
Gains and losses on securities not held in trading accounts	(33)	
Noninterest expense		
Salaries and employee benefits	5,336	50.8
Expenses of premises and fixed assets (net of rental income)	1,683	16.0
Other noninterest expense	3,481	33.2
Total noninterest expense	10,500	100.0
Income (loss) before income taxes and extraordinary items and other adjustments	3,031	
Applicable income taxes	756	
Income before extraordinary items and other adjustments	2,276	
Extraordinary items and adjustments, net of taxes	15	
Net income	2,291	
Total cash dividends declared	916	
Recoveries credited to allowance for possible loan losses	312	
Losses charged to allowance for possible loan losses	1,484	
Net loan losses	1,173	
Ratio to total operating income		
Interest on deposits	49.7	
Other interest expense	11.6	
Salaries and employee benefits	13.8	
Other noninterest expense	17.0	
Total operating expenses	92.1	
Ratio of net income (annualized) to		
Total assets (end of period)	.66	
Total equity capital	11.33	

Domestic office deposits of national banks, by states, March 31, 1984

(Dollar amounts in millions)

	Total demand deposits at domestic offices	*NOW and automatic transfer accounts*	*Non-transaction savings accounts*	*Time certificates of deposit of $100,000 or more*	*Other large time deposits*	*All other time deposits at domestic offices*	*Total deposits at foreign offices*	*Total consolidated deposits*	*Brokered deposits*
All national banks	$209,441	$42,698	$215,259	$141,637	$155,049	$203,517	$232,472	$1 075 159	$14 841
Alabama	2,334	537	1829	1,151	1,428	3,081	202	9 542	5
Alaska	632	20	581	277	279	172	3	1 688	19
Arizona	2,969	364	632	857	860	4,016	20	10 862	0
Arkansas	1,367	422	1,671	855	890	1,905	0	6 543	13
California	27,925	5,852	39,843	22,656	26,104	20,190	48,081	168 099	3 269
Colorado	3,355	763	3,228	2,390	2,535	1,894	209	12 357	319
Connecticut	2,883	572	2,370	555	779	1,074	601	9 183	88
Delaware	128	34	312	762	764	257	20	1 515	204
District of Columbia*	2,618	317	2,026	2,148	2,200	545	1,858	9 829	554
Florida	10,551	2,943	13,716	3,388	3,846	8,337	686	40,827	93
Georgia	4,633	607	2,896	1,632	1,697	3,214	466	13,682	357
Hawaii	37	4	57	39	39	30	0	167	0
Idaho	717	332	568	492	495	1,473	0	3,983	15
Illinois	12,576	1,974	10,582	12,120	13,238	13,426	33,221	86,261	1,325
Indiana	3,546	691	3,566	1,772	1,786	6,540	245	16,800	130
Iowa	1,440	483	1,263	436	439	2,791	21	6,734	43
Kansas	1,600	438	1,673	1,052	1,172	2,506	0	7,516	5
Kentucky	2,040	519	1,677	755	785	2,760	140	8,182	3
Louisiana	3,461	602	2,397	3,025	3,040	2,778	88	12,794	83
Maine	363	155	517	74	79	410	0	1,525	0
Maryland	2,820	572	2,691	708	711	2,332	609	9,893	85
Massachusetts	5,634	881	3,917	3,416	3,784	1,343	7,733	24,040	243
Michigan	5,706	824	7,336	3,194	3,280	7,728	1,458	26,715	209
Minnesota	4,145	1,011	3,403	4,109	4,509	5,024	3,100	21,592	1 662
Mississippi	1,348	259	1,327	831	834	2,038	32	5,906	0
Missouri	3,968	595	2,108	2,779	2,927	2,814	659	13,346	172
Montana	494	252	628	267	268	1,106	0	2,873	2
Nebraska	1,497	589	1,043	494	509	2,782	0	6,682	4
Nevada	753	168	700	379	379	516	0	2,517	175
New Hampshire	458	203	694	177	178	438	0	2,045	0
New Jersey	7,063	1,205	7,426	1,840	1,901	6,631	426	25,981	11
New Mexico	830	199	1,299	1,094	1,104	910	0	4 492	12
New York	24,329	2,846	22,233	10,317	13,133	17,895	107,128	187 630	689
North Carolina	4,217	1,225	4,426	1,741	1,880	4,355	2,361	18,797	178
North Dakota	380	214	484	235	238	1,135	0	2 499	0
Ohio	8,199	2,319	11,155	3,793	4,023	12,341	1,127	39,775	64
Oklahoma	3,272	760	2,755	4,929	4,962	3,310	195	15,813	407
Oregon	1,722	865	2,754	595	595	2,433	66	8,445	0
Pennsylvania	9,387	1,546	13,384	5,245	5 901	13,402	6,473	50 315	43
Rhode Island	890	137	1,191	641	682	962	1,007	4,920	129
South Carolina	1,577	496	1,662	236	238	1,361	5	5 340	0
South Dakota	425	261	1,092	1,716	1,716	1,686	0	5,209	336
Tennessee	3,182	653	2,980	1,593	1,620	4,110	53	12,633	62
Texas	20,685	3,526	13,722	28,969	31,065	12,476	12,735	95,957	3,601
Utah	976	287	598	928	927	1,074	135	4 357	0
Vermont	178	56	405	70	75	335	0	1 050	0
Virginia	2,443	818	2,618	1,035	1,066	4,264	3	11 279	30
Washington	4,081	1,208	5,060	1,689	17,00	4,770	1 041	17 861	177
West Virginia	987	343	1,686	423	433	2,514	0	6 021	8
Wisconsin	2,220	578	2,461	1,419	1,444	3 417	268	10 680	18
Wyoming	403	172	617	337	515	615	0	2 409	0

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency

NOTE Figures may not add to totals due to rounding

Domestic office loans of national banks, by states, March 31, 1984
(Dollar amounts in millions)

	Total loans gross	Loans secured by real estate	Loans to financial institutions	Loans to farmers	Commercial and industrial loans	Personal loans to individuals	Other loans	Total loans at foreign offices	Total loans less unearned income
All national banks	$846,299	$198,777	$20,002	$18,789	$235,007	$131,689	$71,525	$170,529	$835,965
Alabama	6,444	1,712	70	84	2,050	1,756	733	40	6,213
Alaska	1,185	382	6	2	444	180	167	4	1,182
Arizona	7,867	2,273	337	454	2,163	2,208	351	81	7,805
Arkansas	4,436	1,480	62	175	1,541	818	360	0	4,341
California	140,082	41,032	1,826	3,499	28,503	16,631	8,510	40,081	139,876
Colorado	9,397	2,902	204	580	3,200	1,811	698	3	9,369
Connecticut	6,687	2,036	179	14	2,219	1,569	448	222	6,539
Delaware	3,467	147	1	7	66	3,230	16	0	3,467
District of Columbia*	6,469	1,798	290	1	1,871	634	1,041	834	6,416
Florida	25,702	9,931	347	112	6,067	7,044	1,788	433	25,078
Georgia	11,366	2,404	212	52	3,500	2,988	1,885	326	11,119
Hawaii	97	55	0	0	29	11	1	0	96
Idaho	3,335	972	159	332	897	724	251	0	3,313
Illinois	69,590	11,272	1,017	1,153	24,818	6,503	6,385	18,442	69,145
Indiana	11,583	3,735	348	287	3,039	2,539	1,409	226	11,368
Iowa	4,347	1,125	60	840	1,100	851	343	27	4,325
Kansas	4,658	949	76	818	1,558	964	293	0	4,624
Kentucky	5,927	1,638	53	245	1,644	1,400	855	92	5,803
Louisiana	8,465	2,424	75	56	3,084	2,028	780	18	8,282
Maine	1,049	397	0	3	326	240	83	0	1,048
Maryland	7,131	2,433	188	42	2,151	1,160	724	432	7,066
Massachusetts	19,801	3,254	666	30	6,793	1,952	2,100	5,006	19,615
Michigan	18,892	5,465	295	142	6,648	2,889	2,882	570	18,838
Minnesota	17,900	4,065	539	830	6,543	2,082	2,622	1,219	17,749
Mississippi	3,728	1,223	31	80	1,094	966	332	2	3,595
Missouri	9,490	2,122	483	366	3,074	1,749	1,250	446	9,421
Montana	2,131	493	7	341	790	431	71	0	2,095
Nebraska	4,608	698	160	1,425	1,066	844	415	0	4,592
Nevada	1,706	711	14	13	436	419	114	0	1,673
New Hampshire	1,564	545	8	1	456	482	72	0	1,494
New Jersey	16,890	5,944	472	8	5,304	3,655	1,370	137	16,533
New Mexico	2,871	760	57	140	1,105	691	117	0	2,809
New York	163,376	16,747	4,201	430	29,447	14,075	6,871	91,605	160,573
North Carolina	14,895	3,404	476	186	4,972	3,414	1,705	737	14,724
North Dakota	1,583	388	3	327	529	268	68	0	1,578
Ohio	29,543	8,366	636	350	8,685	7,484	3,544	478	28,851
Oklahoma	11,347	3,071	231	777	4,425	1,470	1,373	1	11,233
Oregon	6,977	2,040	347	213	2,209	1,202	904	62	6,921
Pennsylvania	39,671	8,767	2,910	162	11,786	6,272	6,166	3,608	39,022
Rhode Island	3,645	1,001	117	314	875	559	484	295	3,616
South Carolina	3,510	877	58	48	1,024	1,170	331	0	3,391
South Dakota	6,326	465	8	715	670	4,323	145	0	6,304
Tennessee	8,459	2,313	359	92	2,703	1,924	1,047	21	8,302
Texas	76,268	21,568	2,083	1,841	31,852	8,750	6,885	3,290	75,397
Utah	3,280	1,310	7	62	936	717	247	0	3,253
Vermont	786	377	0	12	202	158	36	0	785
Virginia	9,128	3,108	99	122	2,171	2,793	826	9	8,782
Washington	15,631	4,092	83	557	5,103	2,947	1,280	1,570	15,540
West Virginia	3,421	1,371	21	11	610	1,141	268	0	3,276
Wisconsin	8,091	2,730	117	258	2,654	1,275	845	213	8,033
Wyoming	1,500	405	1	183	575	302	35	0	1,490

* Includes national and nonnational banks in the District of Columbia, all of which are supervised by the Comptroller of the Currency.
NOTE: Figures may not add to totals due to rounding.

Outstanding balances, credit cards and related plans of national banks, March 31, 1984
(Dollar amounts in thousands)

	Total number of national banks	*Credit cards and other related credit plans*	
		Number of national banks	*Outstanding volume*
All national banks	4,793	2,039	$34 567 872
Alabama	73	25	183 520
Alaska	6	4	53 142
Arizona	6	2	495 676
Arkansas	73	11	86 765
California	144	111	6 151 243
Colorado	211	174	553 658
Connecticut	14	7	307 196
Delaware	14	12	2 453,346
District of Columbia	19	16	116 913
Florida	197	77	1,206 840
Georgia	59	29	863,413
Hawaii	3	1	2,717
Idaho	7	5	102,026
Illinois	403	160	2,319,971
Indiana	113	74	387,194
Iowa	101	46	287,199
Kansas	157	26	137,991
Kentucky	77	27	171,815
Louisiana	62	17	310,955
Maine	8	7	41,111
Maryland	25	10	31,698
Massachusetts	66	51	382,715
Michigan	123	88	962,074
Minnesota	201	119	153,187
Mississippi	35	4	76,647
Missouri	120	45	605,636
Montana	54	28	21,784
Nebraska	122	38	184,293
Nevada	5	3	31,349
New Hampshire	30	24	45,407
New Jersey	79	51	407 180
New Mexico	43	10	111 969
New York	109	55	4 279 268
North Carolina	18	13	687 978
North Dakota	40	19	13 153
Ohio	157	105	1,391 401
Oklahoma	214	53	173,714
Oregon	7	3	259,945
Pennsylvania	196	46	681 974
Rhode Island	5	4	114 822
South Carolina	18	14	195 796
South Dakota	29	11	3 955 214
Tennessee	66	16	316 693
Texas	908	214	1 211 090
Utah	7	4	100 740
Vermont	12	4	21 522
Virginia	54	17	522 949
Washington	23	9	963 138
West Virginia	102	18	55 887
Wisconsin	123	102	366 529
Wyoming	55	30	9 434
District of Columbia—all*	20	17	[illegible]

* Includes the nonnational bank in the District of Columbia, which is also supervised by the Comptroller of the Currency

National banks engaged in lease financing, March 31, 1984

(Dollar amounts in thousands)

	Total number of national banks	Number of banks engaged in lease financing	Amount of lease financing at domestic offices
All national banks	4,793	1,096	$10,050,302
Alabama	73	20	42,092
Alaska	6	2	4,198
Arizona	6	2	118,882
Arkansas	73	18	22,179
California	144	49	3,416,228
Colorado	211	81	135,110
Connecticut	14	2	45,961
Delaware	14	1	237
District of Columbia	19	5	28,326
Florida	197	33	82,578
Georgia	59	16	146,991
Hawaii	3	1	849
Idaho	7	3	69,082
Illinois	403	89	113,460
Indiana	113	30	182,694
Iowa	101	27	13,244
Kansas	157	32	22,472
Kentucky	77	15	129,400
Louisiana	62	10	72,867
Maine	8	2	4,781
Maryland	25	7	82,638
Massachusetts	66	18	622,403
Michigan	123	20	263,687
Minnesota	201	64	161,416
Mississippi	35	6	11,836
Missouri	120	26	132,650
Montana	54	12	3,890
Nebraska	122	42	67,135
Nevada	5	1	23,594
New Hampshire	30	2	1,726
New Jersey	79	15	148,728
New Mexico	43	21	9,978
New York	109	29	822,714
North Carolina	18	6	398,962
North Dakota	40	16	7,096
Ohio	157	65	635,608
Oklahoma	214	70	31,388
Oregon	7	2	118,645
Pennsylvania	196	17	478,120
Rhode Island	5	2	246,687
South Carolina	18	3	23,192
South Dakota	29	8	1,137
Tennessee	66	21	54,631
Texas	908	102	420,968
Utah	7	2	101,330
Vermont	12	0	0
Virginia	54	8	78,888
Washington	23	9	361,347
West Virginia	102	13	8,744
Wisconsin	123	33	77,121
Wyoming	55	18	2,412
District of Columbia*	20	5	28,326

*Includes the nonnational bank in the District of Columbia which is also supervised by the Comptroller of the Currency

Total loans and leases past due at national banks, by states, March 31, 1984
(Dollar amounts in millions)

	Number of banks*	Type of loan					
		Real estate	*Commercial and industrial*	*Personal*	*All other*	*Total domestic loans†*	*Foreign*
Reporting national banks	4,789	$9,526	$13,320	$3,328	$5,497	$33,303	$11,23[illegible]
Alabama	6	30	11	4	12	64	0
Alaska	73	51	76	43	21	210	[illegible]
Arizona	73	74	41	24	48	220	0
Arkansas	6	96	159	47	76	379	23
California	143	3,055	2,276	406	1,340	7,101	3,484
Colorado	211	112	161	44	151	558	0
Connecticut	14	74	105	55	20	257	26
Delaware	14	9	2	96	—	107	0
District of Columbia	19	91	91	12	21	217	89
Florida	197	290	216	119	92	750	23
Georgia	59	73	114	56	53	308	17
Hawaii	3	—	0	1	2	5	0
Idaho	101	34	9	17	77	191	2
Illinois	7	44	65	12	34	156	0
Indiana	403	639	2,042	215	494	3,581	1,323
Iowa	113	123	70	49	77	372	5
Kansas	157	25	8	21	64	156	0
Kentucky	77	67	53	28	53	229	14
Louisiana	62	88	177	68	52	403	0
Maine	66	111	312	63	98	600	470
Maryland	25	84	63	22	16	190	23
Massachusetts	8	13	9	6	2	32	0
Michigan	123	238	276	66	76	706	33
Minnesota	201	211	262	50	185	794	103
Mississippi	120	85	129	44	101	394	79
Missouri	35	50	40	31	35	165	0
Montana	54	22	3	14	43	112	0
Nebraska	18	50	140	52	39	281	25
Nevada	40	13	0	7	42	96	0
New Hampshire	122	23	12	25	124	238	0
New Jersey	30	14	6	10	10	44	0
New Mexico	78	202	156	66	55	504	14
New York	43	30	44	19	43	164	0
North Carolina	5	35	26	6	4	72	0
North Dakota	108	870	1,432	474	321	3,122	4,566
Ohio	157	393	386	147	122	1,117	56
Oklahoma	214	112	324	49	152	772	0
Oregon	7	94	163	22	68	349	—
Pennsylvania	196	351	388	149	222	1,155	265
Rhode Island	5	33	53	12	29	130	23
South Carolina	18	22	30	19	12	87	0
South Dakota	29	17	33	190	84	341	0
Tennessee	66	76	102	49	41	287	2
Texas	907	678	2,311	205	543	3,945	396
Utah	7	159	52	14	13	238	0
Vermont	54	98	29	51	26	216	4
Virginia	12	11	8	5	3	29	0
Washington	23	279	666	65	137	1,153	164
West Virginia	123	93	167	27	89	419	3
Wisconsin	102	57	13	38	28	154	0
Wyoming	55	25	13	18	48	138	0

* Does not include four banks that did not report

Average national banks percent of loans past due at domestic offices, by assets

	Assets in millions of dollars									
	Less than $10	$10 to $20	$20 to $25	$25 to $40	$40 to $100	$100 to $300	$300 to $900	$900 to $5,000	$5,000 or more	All national banks
Real estate										
December 1982	3.3	4.4	4.5	4.3	4.0	4.6	4.8	5.4	6.0	4.4
March 1983	3.3	4.3	4.7	4.4	4.1	4.6	5.0	5.6	6.8	4.3
June 1983	3.1	3.9	4.5	3.9	3.7	4.0	4.3	4.6	5.5	3.9
September 1983	2.9	3.9	3.8	4.2	3.6	4.0	3.9	4.2	5.4	3.8
December 1983	2.9	3.7	4.3	4.1	3.6	4.1	3.7	4.3	5.4	3.8
March 1984	2.5	3.8	4.2	4.0	3.5	3.0	3.7	4.3	5.0	3.6
Commercial and industrial										
December 1982	4.5	5.1	4.8	5.2	4.9	5.9	5.8	6.5	6.5	5.2
March 1983	4.5	5.1	5.3	5.1	4.9	6.0	6.4	6.6	7.5	5.3
June 1983	3.5	4.7	5.1	4.9	4.5	5.3	6.2	6.6	7.1	4.8
September 1983	4.5	4.9	5.6	4.9	4.4	5.3	6.0	6.2	7.7	4.9
December 1983	4.3	5.2	5.1	4.7	4.3	5.0	5.3	5.4	7.2	4.8
March 1984	NA	NA	NA	NA	NA	NA	5.1	6.3	6.4	5.5
Personal										
December 1982	3.1	3.6	3.9	3.7	3.4	3.1	2.7	2.8	2.7	3.4
March 1983	2.6	3.6	3.8	3.5	3.3	2.9	2.7	2.8	2.4	3.3
June 1983	2.4	3.5	3.6	3.3	3.1	2.6	2.7	2.3	2.3	3.0
September 1983	2.5	3.4	3.5	3.4	3.1	2.6	2.4	2.4	2.2	3.0
December 1983	2.9	3.7	3.5	3.7	3.2	2.8	2.4	2.5	2.3	3.2
March 1984	3.4	5.6	3.5	4.1	3.2	8.6	2.1	2.2	2.4	4.5
All other										
December 1982	3.0	3.4	3.3	3.3	3.3	3.5	3.7	3.7	4.7	3.4
March 1983	2.6	3.4	4.1	3.3	3.8	4.3	4.0	3.6	5.6	3.7
June 1983	2.1	3.0	3.9	3.1	3.2	3.7	2.9	3.4	4.5	3.1
September 1983	3.0	3.3	2.8	2.8	3.2	4.2	3.5	3.2	4.3	3.3
December 1983	3.1	3.0	2.9	3.3	3.0	3.6	3.2	2.9	4.1	3.2
March 1984	2.5	3.7	4.3	4.7	4.2	3.3	1.9	2.2	3.9	3.8
Total loans										
December 1982	3.5	4.3	4.5	4.6	4.5	4.5	4.5	4.9	5.4	4.4
March 1983	3.0	4.5	4.9	4.8	4.7	4.6	4.9	5.1	6.2	4.6
June 1983	2.7	4.1	4.5	4.5	4.4	4.1	4.5	4.8	5.7	4.2
September 1983	2.9	4.1	4.5	4.6	4.3	4.1	4.3	4.4	5.6	4.2
December 1983	3.2	4.3	4.6	4.7	4.4	4.2	4.0	4.1	5.4	4.3
March 1984	2.9	4.4	4.9	5.1	4.7	4.1	3.9	4.0	4.9	4.5

See notes at end of tables

Average national banks' percent of loans past due at foreign offices, by assets

	Assets in millions of dollars			
	$300 to $900	*$900 to $5,000*	*$5,000 or more*	*All national banks*
All foreign office loans				
December 1982	6.9	8.5	5.6	7.6
March 1983	11.5	8.9	5.7	8.4
June 1983	17.9	8.9	7.8	9.6
September 1983	23.2	11.2	8.9	11.2
December 1983	11.2	13.7	9.8	12.2
March 1984	7.2	8.6	8.6	8.4

NOTES:

These figures include non-accrual and past due loan and lease financing receivables.

Past due loans—These items are (1) single payment notes 30 days or more past maturity; (2) single payment notes with interest due at specified intervals and demand notes on which interest is due and unpaid for 30 days or more; (3) amortizing real estate loans and closed-end monthly installment loans and lease financing receivables in arrears two or more monthly payments, or, if scheduled other than monthly, when one scheduled payment is due and unpaid for 30 days or more; (4) open-end credit accounts on which the customer has not made the minimum monthly payment for two or more billing cycles; and (5) unplanned overdrafts outstanding 30 days or more after origination.

Non-accrual loans—These items are (1) those maintained on a cash basis because of deterioration in the financial position of the borrower; and (2) those on which principal or interest has been in default for a period of 90 days or more unless the obligation is both well secured and in the process of collection, in which case it is considered merely past due.

Average banks' percent of loans past due—Percentages reported are averages of individual banks' percentages of loans past due with each bank accorded the same weight regardless of size; those individual bank percentages are based on dollar value of loans past due. All figures are as of the last day of the month indicated.

Loan categories—The loan categories for this table correspond to those for the report of condition except for "Other loans." "Other loans" includes loans to financial institutions, loans for purchasing or carrying securities, loans to farmers and all other loans not included in the specified categories.

Data for prior periods, based on slightly different definitions, may be found in the *Quarterly Journal,* Volume 2, Number 1, pp. 229–232.

Beginning March 1983, past due commercial and industrial loans of banks with less than $300 million in assets have been combined with all other loans.

Foreign branches of national banks, by region and country, December 31, 1983

Region and country	Number
Central America	45
El Salvador	2
Guatemala	3
Honduras	2
Mexico	5
Nicaragua	2
Panama	31
South America	156
Argentina	61
Bolivia	5
Brazil	20
Chile	17
Ecuador	11
Guyana	1
Paraguay	15
Peru	6
Uruguay	16
Venezuela	4
West Indies—Caribbean	173
Bahamas	65
Barbados	3
British Virgin Islands	2
Cayman Islands	74
Dominican Republic	17
French West Indies	2
Haiti	5
Jamaica	1
Netherlands Antilles	3
West Indies Federation of States	1
Africa	22
Egypt	6
Gabon	2
Ivory Coast	4
Kenya	2
Liberia	4
Mauritius	1
Senegal	1
Sudan	1
Tunisia	1
Middle East	25
Bahrain	7
Jordan	3
Lebanon	4
Oman	2
Qatar	1
United Arab Emirates	8
Europe	126
Austria	1
Belgium	4
Denmark	3
England	35
France	10
Germany	11
Greece	22
Ireland	4
Italy	11
Luxembourg	3
Monaco	1
Netherlands	4
Northern Ireland	1
Scotland	2
Spain	8
Switzerland	6
Asia and Pacific	178
Brunei	3
Hong Kong	67
India	10
Indonesia	4
Japan	25
Korea	12
Macau	1
Malaysia	5
Pakistan	7
Philippines	11
Singapore	19
Sri Lanka	2
Taiwan	7
Thailand	2
Turkey	3
U.S. Overseas Areas & Trust Territories	46
Guam	3
Puerto Rico	28
Virgin Islands	15
Total	769

Foreign branch assets and liabilities of national banks, December 31, 1983
(Dollar amounts in thousands)

Assets		Liabilities	
Cash and cash items in process of collection	$ 1 063 100	Deposits of all banks in the United States and non-U S branches of U S banks	$ [illegible]
Balances with all banks in the United States and non-U S branches of U S banks	16 859 574	Deposits of non-U S banks outside the United States	46 [illegible]
Balances with non-U S banks outside the U S	54 111,698	Other deposits	108 706 079
Securities	5,246 424	Liabilities for borrowed money	7 18[illegible]
Loans discounts and overdrafts		Liability on acceptances executed and outstanding	5 635 [illegible]
A Secured by real estate	3,662,349	Accrued taxes and other expenses	3 369 407
B To financial institutions	14 805,496	Due to other non-U S branches of this bank	31 059 143
C To commercial and industrial borrowers	73,638,461	Due to head office and its U S branches of this bank	36 445 237
D To non-U S governments & official institutions	10,960 028	Due to consolidated subsidiaries of this bank	3 824 253
E To all others	5,551 190	Other liabilities	5 077 876
Less unearned discount	259 062	Total liabilities	275 180 362
Total loans, net	108,358,462		
Customers' liability on acceptances outstanding	9,319,247		
Premises, furniture and fixtures	987,103		
Accruals—interest earned, foreign exchange profits, etc	3 462,937		
Due from other non-U S. branches of this bank	36,338,439	Memoranda	
Due from head office and U S branches of this bank	29,322,358	Standby letters of credit	$ 9 227 180
Due from consolidated subsidiaries of this bank	7 716,664	Commercial letters of credit issued and outstanding	3 621 540
Other assets	2,394,356	Guarantees and letters of indemnity	2 585 235
Total assets	275,180,362	Contracts to buy foreign exchange and bullion	112 738 448
		Contracts to sell foreign exchange and bullion	110 289 704
		Total interest bearing balances included in Items 2 & 3	68 435 617
		Total interest bearing deposits included in Items 14, 15, 16	176 458 543

Total foreign branch assets of national banks, year-end 1953–1983*
(Dollar amounts in thousands)

Year	*Number of branches*	*Assets*	*Year*	*Number of branches*	*Assets*
1953	NA	$ 1,682,919	1969	428	$ 28 217 139
1954	NA	1,556,326	1970	497	38 877 627
1955	85	1 116,003	1971	528	50 550 727
1956	NA	1,301,883	1972	566	54 720 405
1957	NA	1 342,616	1973	621	83 304 441
1958	NA	1,405,020	1974	649	99 810 999
1959	NA	1,543,985	1975	675	111 514 147
1960	93	1 628,510	1976	635	134 790 497
1961	102	1,780,926	1977	629	161 768 609
1962	111	2,008,478	1978	646	180 712 782
1963	124	2,678,717	1979	667	217 611 974
1964	138	3,319,879	1980	672	242 763 325
1965	196	7,241,068	1981	710	274 776 [illegible]
1966	230	9,364,278	1982	767	272 989 32[illegible]
1967	278	11,856,316	1983	769	275 180 36[illegible]
1968	355	16,021,617			

* Includes military facilities operated abroad by national banks from 1966 through 1971

Index

Northeastern District

New York District Office
1211 Avenue of the Americas
Suite 4250
New York NY 10036

FTS	8 265 3495
Commercial	212-944-3495

Southeastern District

Atlanta District Office
Peachtree Cain Tower
Suite 2700
229 Peachtree St NE
Atlanta GA 30303

FTS	8-242 4926
Commercial	404 221-4926

Central District

Chicago District Office
Sears Tower Suite 5750
233 South Wacker Dr
Chicago IL 60606

FTS	8 353 0300
Commercial	312 353 0300

Midwestern District

Kansas City District Office
911 Main St Suite 2616
Kansas City MO 64105

FTS	8 758-6431
Commercial	816 374 6431

Southwestern District

Dallas District Office
1201 Elm St Suite 3800
Dallas TX 75270

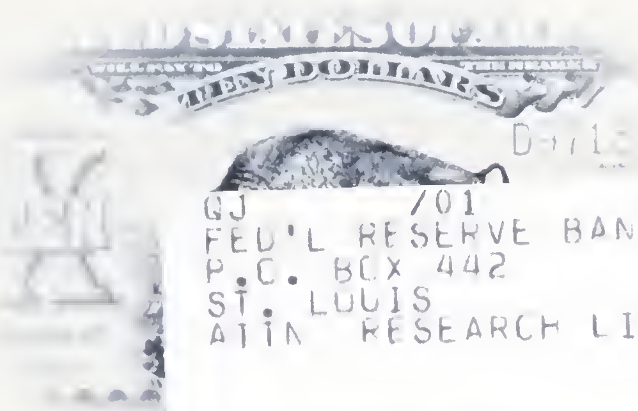
FTS	8 7[illegible] 4400
Commercial	214 767 4400

Western District

San Francisco District Office
50 Fremont Street
Suite 3900
San Francisco, CA 94105

Commercial	415-545 5900

Comptroller of the Currency
Administrator of National Banks



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